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FINANCIAL TIMES

Bosnian polls
Uneasy alliances
Page 11

Liam Gallagher
What price a voice?
Page 10

Coal to gas
Cleaning up in east Germany
Environment, Page 8

WorldCom and MFS
A new breed of entrepreneur
Page 15

World Business Newspaper http://www.FT.com WEDNESDAY AUGUST 28 1996

Political battle looms over Iraqi hijackers in UK

A political row broke out over the fate of the Iraqi hijackers of a Sudanese airliner who surrendered to police at London's Stansted Airport after freeing the 199 passengers and crew. Several prominent Conservative MPs urged the UK government to expel the hijackers while an opposition backbencher said such action could risk their assassination by President Saddam Hussein's regime. Page 12

Bosnian municipal elections postponed: Bosnian municipal elections have been postponed because of alleged irregularities by Serb authorities in registering voters. The elections had been planned to coincide with the first national poll since the country's civil war. Page 12; Web of protection, Page 11

US bid to stem Helms-Burton damage: The Clinton administration is sending a top trade diplomat to Mexico, Canada and Europe to try and repair the damage to US relations with some of its closest allies caused by the passage of the controversial Helms-Burton Act on investment in Cuba. Page 4

Swiss Reinsurance, number two among companies which protect conventional insurers against losses, has bought Mercantile & General, the reinsurance arm of the Prudential Corporation, for £1.75bn ($2.7bn). Page 13; Lex, Page 12

Kremlin accused of 'stupidity': Russia's business community accused the Kremlin of everything from "stupidity" to "Marxism" over proposals to tax all personal bank deposits and withdrawals and toughen restrictions on cash withdrawals by businesses. Page 12

Daimler-Benz, the German transport group, is expected to announce that it has recovered strongly from last year's record net loss of DM5.7bn ($3.82bn) as it reports half-year results. The company recorded the worst financial loss in German corporate history in 1995. Page 13; Weighing up managerial fat, Page 14

Computer Associates in Internet move: Computer Associates, the US-based business software group, has set up an Internet unit called NetHaven designed to help business customers create, manage and promote multimedia corporate World Wide Web sites. Page 15

Amer, the Finnish group which controls US sports equipment maker Wilson and other sports brands, reversed the recovery in its battered shares when it warned it was likely to remain in the red this year. Page 13

Concern over Danish anti-EU case: Concern is growing that legal action by opponents of Denmark's European Union membership could impede the country's participation in development of the EU and hinder moves towards closer integration agreed by member states. Page 2

Roche shares fall: Shares in Roche, the Swiss drugs company, fell after the company said first-half operating profits were hit by drugs price cuts in Japan and Italy as well as price cuts in fragrances and at its US laboratory business. It also warned of increasing marketing costs. Page 13

Flat reaction to Bass merger: Response to the merger of the brewing interests of Bass and Carlsberg-Tetley was muted, soothing fears of Bass, Carlsberg and Allied Domecq that the agreement could face referral to the Monopolies and Mergers Commission in the UK. Page 17

MAN, the German truck and printing machine manufacturer, posted a 21 per cent rise in provisional pre-tax profits for the year ended June 30, from DM272m to DM330m ($223.2m). Page 14

FT.com: the FT web site provides online news, comment and analysis at http://www.FT.com

■ STOCK MARKET INDICES

New York: lunchtime		
Dow Jones Ind Av	5,702.03	(+8.14)
NASDAQ Composite	1,144.65	(+5.43)
Europe and Far East		
CAC40	2,017.99	(-2.43)
DAX	2,558.84	(+6.84)
FT-SE 100	3,905.7	(-1.8)
Nikkei	20,910.27	(+26.53)

■ US LUNCHTIME RATES

Federal Funds	5 3/16%
3-mth Treas Bills: Yld	5.177%
Long Bond	97 3/32
Yield	6.962%

■ OTHER RATES

UK: 3-mo Interbank	5 11/16%	(5 3/4%)
UK: 10 yr Gilt	97 3/32	(97 13/32)
France: 10 yr OAT	105.81	(105.96)
Germany: 10 yr Bund	99.07	(98.89)
Japan: 10 yr JGB	98.9768	(99.1888)

■ NORTH SEA OIL (Argus)

Brent Dated	$n/a	(20.935)

■ GOLD

New York: Comex		
(Dec)	$394.0	(394.5)
London:		
close	$388.95	(387.65)

■ DOLLAR

New York: lunchtime		
£	1.55375	
DM	1.47905	
FFr	5.06305	
SFr	1.19415	
Y	107.735	
London:		
£	1.5557	(1.5542)
DM	1.4777	(1.4874)
FFr	5.0557	(5.0768)
SFr	1.1936	(1.2021)
Y	107.75	(108.48)

■ STERLING

DM	2.2987	(2.3117)
Tokyo $ close: Y 107.76		

Albania	LEK 220	Gibraltar	£0.75	Lithuania	Lits 16.00	Qatar	QR13.00
Austria	Sch37	Greece	Dr400	Lux	LFr75	S.Arabia	SR12
Bahrain	Din1.250	Hong Kong	HK$20	Malta	Lm0.65	Singapore	S$4.30
Belgium	BFr75	Hungary	Ft230	Morocco	MDh16	Slovak Rp	Sk65
Cyprus	C£1.20	Iceland	IKr230	Neth	Fl 4.75	S. Africa	R12.00
Czech Rp	Kc60	India	Rs75	Nigeria	Naira90	Spain	Pta250
Denmark	DKr18	Israel	Shk7.90	Norway	NKr22.00	Sweden	SKr20
Egypt	E£5.00	Italy	L3200	Oman	OR1.50	Switz	SFr3.70
Estonia	EKr 22	Japan	Y500	Pakistan	Rs40	Syria	S£65.00
Finland	FM15.60	Jordan	JD1.50	Poland	Zl 5.50	Tunisia	Din1.750
France	FFr12.00	Kuwait	Fils.650	Portugal (m'land)	Es240	Turkey	L90,000
Germany	DM4.00	Lebanon	LL3,000			UAE	Dh12.00

US calls off talks with UK on open skies deal

By Michael Skapinker, Aerospace Correspondent

The US has called off today's talks with the UK on an open skies agreement, throwing into doubt the planned alliance between British Airways and American Airlines.

The US government said yesterday that it had told UK negotiators there was no point in coming to Washington because British proposals "fell so far short of providing the essential elements of an open skies agreement that talks would not be productive".

Although the two sides said they would remain in touch, no date has been set for the resumption of talks.

The US has made the conclusion of an open skies agreement a precondition for approval of the BA-American link-up, which would be the most powerful alliance in world aviation.

The UK is committed to concluding an open skies agreement but the two governments differ over what the term means. The UK has been resisting US demands that its carriers be given the right to fly to third countries from the UK, the so-called "beyond rights".

The US is believed to be reluctant to accept a UK proposal for a tribunal to be set up to protect smaller carriers against predatory pricing and anti-competitive behaviour by larger airlines. The UK Department of Transport said yesterday it was surprised at the US decision. It said its proposals "go a long way to removing restrictions on the aviation market, in particular the opening of airports."

BA said it thought the delay in negotiations would be temporary. The airline said: "Both sides are committed to delivering an open skies agreement. It's a bold and imaginative objective, and given the scale of what's being attempted some complications were inevitable."

At a meeting at the White House on Monday – attended by representatives of the State Department and the Departments of Justice and Transportation – officials decided the gap between the two countries was still too wide.

The UK is resisting the conclusion of an agreement similar to that signed by the US and Germany earlier this year. The UK believes this agreement is biased in favour of the US because, among other things, it grants "beyond rights" to US carriers without giving German airlines the ability to carry passengers within the US or to acquire US carriers.

A difficulty for the US in agreeing to an improved agreement with the UK is that Germany has the right to revise its accord if any other country receives better terms.

UK insurance market clears final hurdle

US court lifts threat to Lloyd's recovery plan

By Ralph Atkins in London and Richard Waters in Baltimore

New hurdle for Lloyd's ....Page 10
Lex ....Page 12

Lloyd's of London was last night poised to announce a dramatic comeback for the 308-year-old insurance market after overturning a US court order which had threatened to undermine its £3.2bn ($5bn) recovery plan.

An eleventh-hour appeal court ruling in Baltimore dismissed an injunction imposed last Friday by a federal court in Virginia and clears the way for Lloyd's to declare its recovery plan unconditional this week.

Earlier, the UK Department of Trade and Industry had warned that failure to overturn the injunction – which would have forced Lloyd's to comply with US securities laws and supply considerably more information about the plan – could have forced Lloyd's out of business.

Lloyd's had been under acute time pressure because it has to pass DTI and US regulators' solvency tests within the next few weeks.

Although hardline US Names have mooted other possible legal remedies, the Virginia ruling was the last hurdle faced by Lloyd's as it attempted to recover from more than £8bn in losses in recent years. The convincing appeal court win looks set to mark the end of years of litigation which had crippled debt collection and frequently cast doubt over Lloyd's survival.

The appeal result came less than 18 hours ahead of a noon deadline set for Names – the individuals whose assets have traditionally supported the insurance market – to accept or reject the plan. An extension of four or five days is now expected.

Earlier, Lloyd's announced that 82 per cent of its 34,000 Names had accepted the settlement offer – enough to declare the deal "unconditional" – and the total now looks set to rise to nearer 90 per cent.

Lloyd's ruling council meets tomorrow with an announcement expected soon after. Last night, Mr David Rowland, Lloyd's chairman, said: "This decision removes the remaining major legal obstacle to implementation of the reconstruction plan. We always believed that we were doing the right thing for the membership of the society [of Lloyd's]."

There is no precise level of support required for the plan to go unconditional because Lloyd's has to meet two objectives. It must end litigation by Names for damages for their losses and it must also raise sufficient funds from Names to finance Equitas – a giant reinsurance company that will take responsibility for billions of pounds of mainly US asbestos and pollution liabilities.

Support for the recovery plan has been higher in the UK but exceeded 50 per cent among the 3,000 US Names.

Lloyd's has warned those who reject the plan that they will be pursued rigorously for outstanding debts.

With only a few thousand rejecting the plan there is likely to be little support for further litigation. However, Mr Tony Welford, chairman of the Paying Names' Action Group which this month launched a last-minute legal challenge in the UK, said the court ruling was "a disgraceful victory over the rights of the individual".

Clinton courts grassroots support

US president Bill Clinton meets supporters during his rail trip through the Midwest to the Democratic convention in Chicago where he will claim the party's presidential nomination. Speaking at a factory in Toledo, Ohio, yesterday Mr Clinton praised the trade union movement and promised renewed efforts to combat illiteracy. "There is a connection between what we do, or fail to do, in Washington and how you live here in Toledo," he said. Clinton heads for celebratory Democratic convention, Page 6
Picture: Reuter

US rivals square up in nappy market

By Hugh Carnegy in Stockholm

A fierce battle for customers in Europe's disposable baby nappy market intensified yesterday when Kimberly-Clark took over the Peaudouce brand in France from the Swedish pulp and paper group SCA.

The acquisition pitched Kimberly-Clark into a head-to-head struggle for supremacy with Procter & Gamble, its rival US producer.

In exchange SCA took over Kimberly-Clark's tissue mill at Prudhoe in northern England.

Peaudouce will be added to the Dallas-based Kimberly-Clark's own Huggies brand, taking the company's market share in France to around 30 per cent behind the 40 per cent share held by Pampers, P&G's market leader.

Mr Robert Thibault, Kimberly-Clark's European head of infant care products, said the acquisition of Peaudouce was an important step in the company's two-year campaign to break into west European markets. "It is a key strategic

Continued on Page 12

China steps closer to backing new leadership team

By Tony Walker in Beijing

China appears to have moved closer to endorsing a new leadership team which would bolster President Jiang Zemin and pave the way for a replacement for Premier Li Peng, who retires in early 1998.

China's leaders, who have been meeting in private at a beach resort east of Beijing, have reviewed a "proposal for changes to the high leadership" which would involve appointing Mr Jiang as "chairman" of the Communist party. The title of chairman had appeared to have died with Mao Zedong 20 years ago.

The new line-up is not due to be approved until a Communist party congress scheduled for late next year, but the proposed personnel shifts are likely to be debated at a plenary session of the party Central Committee to be held in Beijing next month.

Mr Jiang, who is regarded as cautious in his approach to economic reform, appears to be drawing more of his cronies into the party's inner circle. Under the new structure, Mr Li Peng and Mr Qiao Shi, head of the National People's Congress, China's parliament, would become party vice-chairmen. Both would retain their positions on the ruling standing committee of the politburo.

The proposed elevation of Mr Wu Bangguo, 55, to the politburo standing committee indicates the former party secretary of Shanghai is frontrunner for the premiership, ahead of his rival, Mr Li Lanqing. Both Mr Wu and Mr Li are vice premiers.

Opposition to the party restructuring comes from the party's liberal wing, which argues that the move smacks of a return to the "bad old days".

Changes to the party constitution would be required to accommodate the revival of the chairmanship and the positions of two vice-chairmen.

It is not clear whether Mr Jiang would keep his current posts as state president and chairman of the Central Military Commission, but in an apparent attempt to prepare public opinion for the revival of the party chairmanship state media have begun referring to him as "Chairman Jiang."

This refers now to his position as chairman of the CMC, but is also clearly intended as a trial balloon for his appointment as party chairman.

CONTENTS

Concern over Danish anti-EU case

By Hilary Barnes in Copenhagen

Concern is growing that a court action by opponents of Denmark's European Union membership could impede the country's participation in development of the EU and hinder moves towards closer integration agreed by member states.

The Danish supreme court this month decided that 11 citizens could mount a constitutional challenge to Denmark's signature of the Maastricht treaty. All the hearings and appeals stages of the case could take four years or more. Within this time parliament is likely to have to decide whether to ratify amendments to the treaty that may be agreed by the intergovernmental conference (IGC) reviewing Maastricht and EU institutions.

Diplomats are concerned that Denmark's parliament will not ratify any changes while the case is in progress. They fear that a serious delay would strain Denmark's relations with its EU partners, become a focus of anti-EU sentiment and add to tensions in the country over EU membership.

"It could be awkward," said one senior diplomat. "This could cause trouble for us all," said another.

Mr Niels Helveg Petersen, the foreign minister, said there would be "great difficulty" in ratification until the case had run its course. But Mr Poul Nyrup Rasmussen, a Social Democrat prime minister heading a minority centre-left coalition, said the government would await the outcome of the IGC before deciding how to act on its decisions.

A weekend opinion poll suggested that 62 per cent of Danes believe ratification should await a court ruling, with 21 per cent thinking the government should sign first.

The case has been brought by 11 people listed as individuals in the court papers. None has been prominent politically in the past, and not all belong to any one of Denmark's many anti-EU organisations.

It centres on a paragraph in the 1953 constitution which lets parliament delegate sovereignty to international institutions "to such an extent as may be provided by statute". The 11 argue that the Maastricht treaty does not recognise the limits implicit in the constitution.

Few commentators believe the courts will rule that the ratification was unconstitutional. Not only has parliament approved membership of the EU, but membership has also been endorsed by referendums in 1972, 1986 and 1993. But some lawyers think the courts may specify in greater detail the limits to which parliament can go in delegating sovereignty.

Draft budget comes under fire as 'too timid and over-optimistic'

Employers, opposition politicians and analysts yesterday criticised Denmark's draft 1997 budget as too timid and based on an over-optimistic forecast of 3 per cent GDP growth, Reuter reports from Copenhagen.

Employers' Federation chairman Niels Fog said the budget failed to take real action against unemployment. "It is disappointing the government has come up with a budget proposal devoid of vital structural change to the labour market," he said.

The draft sees 1997 unemployment falling to 8.6 per cent, from a projected 9 per cent in 1996 and 10.3 per cent in 1995. Analysts believe a welter of job creation schemes and retraining programmes mask a far higher real level.

The budget proposal warns unemployment should be brought down gradually to avoid upward wage pressure and ensuing economic costs.

The budget is still subject to ratification by parliament in December, when the Social Democrat-led minority government will hammer out, with opposition parties, spending on areas such as welfare, education and health.

The opposition Conservative party said the draft lacked vision; it hoped the government was prepared to make "fairly substantial" changes. "The budget shows a government without ambition or the will to live up to its own goals," Ms Pia Christmas-Moeller, the party's finance spokeswoman, said.

The junior coalition partners, the Radical Liberals, said: "Many call this draft the most boring in years, but that is exactly the point. Denmark has one of the most robust economies in Europe, so we can allow ourselves a budget free of drama." Mrs Hanna Duer of MMS International predicted 1997 GDP growth of 2-2.5 per cent.

EUROPEAN NEWS DIGEST

Bonn stays its hand over aid

Bonn yesterday held back from a legal challenge to the European Commission's decision to cut state aid for two Volkswagen plants in Saxony, in the hope of reaching an out-of-court settlement.

Speaking after a cabinet meeting, Mr Gunter Rexrodt, economics minister, said the federal government fully supported Saxony's claim that it was entitled to grant DM241m ($162m) of investment assistance blocked by Brussels. It would continue to prepare a case for the European Court, but wanted to use the time between now and September 16, the deadline for launching the case, to reach a settlement. "We do not want any escalation now," he added.

Saxony said it welcomed the government's decision. The eastern state has already disbursed DM91m of the disputed aid to Volkswagen and last week initiated legal proceedings against the Commission's cuts. But before the outcome of the Bonn cabinet meeting was known, Mr Kurt Biedenkopf, the Saxon prime minister, had said he would not support a "dubious compromise" to save the face of Mr Karel Van Miert, the EU competition commissioner. *Peter Norman, Bonn*

Editorial comment, Page 11

Estonia fails to pick president

Estonia's parliament yesterday again failed to elect a president, delaying succession for another month. Mr Lennart Meri, the incumbent, fell 16 short the necessary two-thirds of votes in the 101-seat chamber, winning 52 against 32 for his rival, Mr Arnold Ruutel.

Mr Meri, who enjoys popular support, enraged many MPs with his arrogant demeanour. Accusations that he collaborated with the KGB and criticism of a 1994 Russian troop withdrawal treaty, which allows retired Soviet officers to stay in Estonia, made him unpopular in the deeply patriotic Baltic state. Mr Ruutel, a former Soviet farm boss and nationalist, may find more sympathy for his candidacy among the 273 regional government heads who, with MPs, will form the new electoral college next month. *Matthew Kaminski, Kiev*

New Hungarian minister

Hungary's governing Socialist party yesterday nominated Mr Tamas Suchman as industry and trade minister to replace Mr Imre Dunai, who announced two weeks ago he was retiring after just a year in the job. Mr Suchman, 42, on the left of the party, will retain his present responsibility for privatisation, which is nearing completion and is managed by APV, a state agency.

Mr Suchman, who took over the new post of privatisation minister last year, is credited with helping push through nearly $4bn worth of sales in 1996, including stakes in several utilities, despite considerable logistical and political obstacles. One of his most pressing tasks, however, will be to resolve a row over promised energy price rises that has rattled the western utilities that participated in the sector's privatisation.

The dispute over the level and timing of the increases is seen as a factor behind Mr Dunai's resignation. The Free Democrats, the junior coalition partner, are not expected to oppose the appointment. *Virginia Marsh, Budapest*

Bulgarian poll bid blocked

Bulgaria's electoral commission yesterday refused to register the two main candidates in October's presidential poll, saying their papers were incomplete and contained irregularities. Mr Georgy Pirinski, foreign minister and a reformer backed by the former communist Bulgarian Socialist party (BSP), and his main opposition rival, Mr Petar Stoyanov, have three days to appeal to the supreme court to overturn the ruling.

The constitutional court has ruled that Mr Pirinski cannot become president. All candidates must be Bulgarian by birth, whereas Mr Pirinski was born in New York to a Bulgarian father and Slovak mother. The BSP ignored the decision, accusing the court of bias.

Mr Stoyanov, a lawyer, has had difficulties in having his application papers signed after one of the opposition coalition of parties backing him sacked its leader. Four other candidates have so far said they will run for the post but have yet to register officially. They elections are on October 27. *AFP, Sofia*

Austria plans motorway tolls

Drivers will be charged for the use of Austrian motorways from next year, the government said yesterday. But it made some concessions on the scale of fees in the face of international and domestic protests. Mr Johann Farnleitner, the economics minister, said cars and trucks using Austrian motorways and A-roads would face a yearly charge of Sch550 ($53) from January 1. Motorcycles would pay Sch220 and coaches Sch6,000. But he introduced a weekly fee of Sch70 to soften the blow to tourists.

Road users can buy a two-month pass for Sch150, Sch80 or Sch1,500, depending on the type of vehicle. One-off journeys on existing toll roads, such as the Brennerautobahn, Arlberg tunnel or Pyhrnautobahn, will qualify for a 15 per cent discount. *Reuter, Vienna*

■ Spain's trade deficit narrowed by 6.1 per cent in the first half to Pta1,334bn ($10.6bn), according to the finance ministry. It said the figures showed a stronger second quarter for exports and imports, although the growth of both slowed in June. Exports over the six months were 10.7 per cent higher at Pta6,373bn and imports 7.4 per cent up at Pta7,707bn. Spain's shortfall in trade with rest of the EU shrank by 19.1 per cent to Pta399bn.

■ Sweden had a trade surplus of SKr9.5bn ($1.4bn) in July compared with a surplus of SKr14.3bn in June. The producer price index was down 0.1 per cent in July from June and 4.3 per cent from a year earlier.

■ Switzerland's current account surplus in 1995 rose to SFr25bn ($20.8bn) from a revised SFr24.4bn a year earlier.

Ministers sacked in Slovak reshuffle

By Jeff Lovitt in Prague

The Slovak premier, Mr Vladimir Mečiar, yesterday sacked the three most senior members of his cabinet, in a move which appeared to strengthen his own position while deflecting opposition attacks on government policy.

Diplomats gave a guarded welcome to the replacement of Mr Juraj Schenk as foreign minister with Mr Pavel Hamžík, 42, a career diplomat.

He is said to have made a good impression as Slovak ambassador to Bonn since May 1994, a specially useful attribute because Germany's Chancellor Helmut Kohl has been the most vociferous European Union critic of lack of democracy in Slovakia.

Removing Mr Schenk could also be used by Mr Mečiar to counter criticisms that his government is not doing enough to further Slovakia's cause in seeking membership of the European Union and Nato.

The second to be affected by the reshuffle is the interior minister, Mr Ludovit Hudek, whose resignation had been sought by the opposition.

Mr Hudek's replacement is Mr Gustav Krajei, 45, who has no government experience. He is the secretary of Mr Mečiar's Movement for a Democratic Slovakia (HZDS) in Bratislava and can be expected to remain loyal to his patron.

Mr Karol Cesnek, 49, at present managing director of the Slovak Electricity monopoly, replaces Mr Jän Duchy as economics minister.

Mr Ivan Simko, vice-chairman of the opposition Christian Democratic Movement (KDH), said there was "political logic" to the reshuffle, in particular the need to improve Slovakia's image abroad and to fight rising crime.

Mr Mečiar's long-time political foe, President Michal Kovač, agreed to the cabinet changes during a weekend meeting which lasted barely 15 minutes – the first time the two had met since they jointly greeted Pope John Paul II on his visit to Slovakia in July last year.

Mr Kovač has the right to appoint and dismiss cabinet members, but quickly assented to the changes.

Kiev tries to ease hryvna's birth

Matthew Kaminski reports on Ukraine's moves to protect its reborn currency

Ukraine yesterday moved to boost public confidence in its currency reform, imposing a month-long price freeze from next Monday's issue of the new money and threatening action against speculative money changers.

The steps come two days after the government, saddled with a reputation of economic mismanagement, decided to replace temporary karbovanets (or coupon) with the hryvna to mark the country's fifth birthday.

The biggest change will be five less zeros, but Kiev has proclaimed the return to the monetary unit used before Russians imposed their rule in the 17th century as a symbol of an independent and prosperous Ukraine.

The government fears that a run on the currency even before the hryvna comes into circulation would undermine its most ambitious recent attempt at improving confidence and luring capital back into the official economy. The value of the karbovanets dropped 50 per cent in some provincial towns over the weekend, but government pledges yesterday appeared to calm public anxiety and it stabilised against the dollar at street exchange booths.

Mr Victor Yushchenko, the central bank governor, yesterday promised that the state was "not out to cheat the population" by restricting the amounts that could be exchanged. He warned that exchange kiosks which sold dollars above 193,000 karbovanets (some went as high as 300,000 at the weekend) might lose their licences.

The cabinet decree threatening companies with "liquidation" if they raise prices next month is meant to damp down inflationary pressures and reassure a sceptical population. One economist called it a "very strange", unenforceable measure. But it is popular.

Commercial banks were not convinced. The central bank yesterday spent $7.5m intervening on the official currency auction to keep the karbovanets unchanged against the dollar from the last auction on Friday at 176,100.

"They've managed the karbovanets well, so there's no reason they won't do the same with the hryvna," said a western economist. "Handling the transition seems to be the key."

Ukraine took a calculated risk in abandoning plans for introducing the hryvna with International Monetary Fund support. The government has been negotiating a $1.5bn currency stabilisation fund, a new mechanism that acts like an insurance policy against wide exchange rate swings. The IMF had indicated willingness to extend the fund, but only towards the end of the year.

President Leonid Kuchma, who has been promising to introduce the hryvna for two years, decided to move on independence day.

The karbovanets is seen as a symbol of Ukraine's recent hyperinflationary past – old notes became virtually worthless in 1993 when prices rose more than 80 per cent a month. The hryvna, unveiled at the central bank yesterday, bears images from the distant past. The watermarked notes, printed in Canada four years ago, feature the medieval ruler Yaroslav the Wise, the poet Taras Shevchenko and other national heroes.

The economic outlook also looks promising now, and might be less so in autumn when demands for state credits intensify and energy costs rise. There have been three consecutive months of inflation below 1 per cent and nearly a year of exchange rate stability. The central bank has strong reserves, estimated at $2bn, to defend the new currency.

Many ideas for policy changes to accompany the new currency – such as devaluation of the currency, and a ceiling on how much money could be exchanged at full value to clamp down on "illegal" assets – were rejected, to the relief of western officials.

Mr Yushchenko said Ukraine would introduce a new foreign exchange policy only with IMF support. The most likely option, he said, would be a hard currency peg for the hryvna in the near future, an IMF condition on the stabilisation fund.

The actual business of exchanging new notes for old might prove a logistical nightmare for an inexperienced government. An estimated 378,000bn karbovanets are outside the distrusted banking system and are to be exchanged for hryvna in just two weeks at 16,023 special kiosks.

Complaints that the short exchange period would be used to punish businesses in the shadow economy, which might not have time to dispose of their cash, yesterday prompted a currency reform commission promise to add another two weeks should some karbovanets holders be left out in the cold.

Lebed delivers peace plan but Yeltsin will not see him as infighting intensifies

Truce in Chechnya, war in Kremlin

By Chrystia Freeland in Moscow

Russian soldiers leaving Grozny yesterday. The man's headband on the right reads: "We have been betrayed" *Reuter*

Russian and Chechen military commanders yesterday agreed a continued truce in the battered Chechen republic, but in Moscow the political infighting intensified as President Boris Yeltsin shut out his security chief for a second day.

Mr Alexander Lebed, head of the Security Council and the president's special envoy to Chechnya, delivered a "comprehensive peace plan" and an account of his weekend negotiations to the president's office.

But Mr Yeltsin continued to snub the man responsible for the most successful peace initiative since the conflict started, refusing to see him yesterday and failing to set an appointment for later.

The president's cold shoulder has emerged as the biggest obstacle to the peaceful settlement of the war in Chechnya which, after 20 months of fighting, now suddenly seems within reach.

Mr Yeltsin's aloof stance has triggered a fresh round of rumours about his health, prompting one Russian news magazine to speculate in a cover story: "Is the President Alive?". Other Russian analysts suspect Mr Yeltsin is adopting his time-honoured tactic of distancing himself from subordinates on difficult missions.

The mixed messages from the Kremlin did not discourage Russian and Chechen military commanders yesterday from agreeing details of a ceasefire and Russian troop withdrawal at a meeting in a village near Grozny, the Chechen capital.

Under to the deal, Russian forces are expected to withdraw from most districts of southern Chechnya by tomorrow, and joint Russian-Chechen units were to begin patrolling the rubble-strewn capital yesterday evening.

"We gave each other our word that no provocations would become grounds for a breakdown of negotiations," said Mr Aslan Maskhadov, the Chechen chief-of-staff. "Somehow, in the end, we got around to really acting on creating peace."

Prolonging that peace is likely to depend on the political plans Mr Lebed forwarded to his president last night. The Russian news agency Interfax said they included a proposal to determine the contested region's political status in a referendum to be held in five years.

The Chechens are thought to support independence overwhelmingly, but postponing the vote for five years might offer a face-saving way for the Kremlin to release its most rebellious subjects.

The plan has been fiercely attacked by some politicians in Moscow, an indication of the political dangers Mr Yeltsin could face if he approves it.

At a Moscow press conference, Mr Doku Zavgayev, the Russian-installed nominal leader of Chechnya, yesterday said Mr Lebed had led "a coup d'etat", accusing him of "handing power over to terrorists" and "sowing panic among Russian soldiers". The acting chairman of the Russian parliament, Mr Sergei Baburin, also lashed out at the security chief, accusing him of "playing dangerous games with Chechnya's sovereignty".

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Legacy of war lends support for gifted Germans

Peter Norman profiles a remarkable group of education charities on occasion of the 65th birthday celebrations of one of their most prominent alumni

Today is a big day for the Bundesbank president, Mr Hans Tietmeyer. Chancellor Helmut Kohl will be guest of honour and main speaker at a special reception in Frankfurt to mark the central banker's recent 65th birthday.

Mingling with the 300 guests from the worlds of politics, finance and central banking in Germany and abroad will be three former heads of the Cusanuswerk, an organisation set up by Roman Catholic bishops 40 years ago to support gifted young people through university.

Mr Tietmeyer is one of the most prominent alumni of the Cusanuswerk, a small but important part of the structure set up since the second world world war to ensure that Germany never falls back into dictatorship.

The Cusanuswerk is one of 10 charitable institutions representing the main political, religious and social groups which channel education ministry funds to highly motivated students of exceptional ability.

The aim is to create a body of people from different backgrounds who will support pluralistic democracy. "One of the lessons of Hitler's takeover of power in 1933 was that Germany's universities provided little resistance and many professors joined the Nazi party," explains Mrs Susanna Schmidt, a Cusanuswerk official.

Although democracy is now firmly anchored in Germany, the education ministry continues to back the scheme because it widens students' horizons and promotes a sense of responsibility towards society at a time when university courses have become increasingly specialised.

The scheme has its roots in the 1920s when the "study foundation of the German people" was established to help especially talented students.

This organisation remains the most important conduit of funds to gifted students, having provided nearly half the bursaries awarded since the second world war.

The pluralist nature of the programme became more clearly established in the early years of the federal republic as this foundation was joined eventually by bodies belonging to the Protestant church, the trade union federation and the employers' federation, as well as the Cusanuswerk and five foundations allied to Germany's main political parties.

The government imposes no control over how they award their grants, totalling DM101m ($68m) this year. The foundations close to the political parties make a point of saying that applicants need not have party membership – although it is unlikely that a strong socialist would turn for support to the Friedrich Naumann Stiftung, which is allied to the market-oriented Free Democrat party.

The Cusanuswerk specifies that applicants should be Catholic but, according to Mrs Schmidt, "does not quiz them on the catechism". It is far less restrictive than in its early days when only male students were offered support and they were expected to live in a state of "temporary celibacy".

Grants, which do not have to be repaid, are in line with the student loans provided by the government and means-tested. Many applicants find the summer schools, with their promise of inter-disciplinary activities, and the opportunities for foreign travel provided by the schemes' operators are more valuable than the cash.

The 10 institutions have channelled support to more than 71,000 students since the foundation of the federal republic. This sounds impressive, but amounts to only 0.65 per cent of the country's entire student population in the period.

The small number of beneficiaries has triggered suggestions that the scheme will create an elite, a sensitive issue given Germany's history.

Education ministry officials insist that bursaries are awarded on merit and there is no question of Germany moulding an institutional elite such as the cadre of highly qualified government servants produced by the *grandes écoles* in France.

The system certainly produces a variety of talents if the two best known Cusanuswerk scholars are any guide. A few years after the austere and famously hard-working Mr Tietmeyer was awarded his grant in 1957, the Cusanuswerk decided to give a bursary to a Mr Oskar Lafontaine, now the mercurial and epicurean leader of Germany's opposition Social Democrat party.

Calls for patriotism increase in China

By Tony Walker in Beijing

China has called for a stronger show of patriotism, in a development which is certain to intensify concerns about the growth of a virulent Chinese nationalism hostile towards the west.

Outlook magazine, published by the official Xinhua news agency, went further than other Chinese publications in arguing for rejection of western pressures on issues such as human rights, arms proliferation and trade liberalisation.

"The west says that Chinese patriotism is something backward and should be despised," the magazine said in its latest edition. "We must see their vicious intentions and raise our patriotism flag high. We have done far from enough in advocating patriotism."

Publication of the commentary coincides with a runaway success for a book by young scholars, titled China Can Say No, which advocates resistance to western culture and products.

The official China Daily appeared to endorse the book yesterday when it reported, under the headline "Best seller advises people to say no", that it criticised citizens' "blind faith" in foreign things. "The book advances the idea that China should follow its own path and say 'no' to what are considered to be irrational demands by western powers," China Daily said.

The apparent resurgence of Chinese nationalism is aimed mainly against the US and coincides with simmering disagreements between Beijing and Washington over questions such as Taiwan and access to local markets.

The nationalist trend also reflects popular disquiet over inroads made by foreign brand-names at the expense of local makes. "Blind attachment" to foreign products is blamed for the parlous state of many Chinese state manufacturing enterprises.

The strengthening of patriotic sentiment is likely to affect business dealings between China and the west. It is certain to add, for the time being, a layer of wariness to such dealings.

A foreign ministry spokesman sought to play down the impact of China Can Say No. "The book is just the work of a couple of young guys," he said. "It is natural that the ideas of some young Chinese intellectuals are reflected there."

But it is highly unlikely the controversial book, modelled on a Japanese work on a similar theme, would have been published without high-level approval. Chinese leaders, including the premier, Mr Li Peng, have made a virtue recently of banging the nationalist drum.

● Beijing yesterday accused Washington of impeding peaceful reunification of China and Taiwan by selling advanced weapons to the island. A decision by the US to sell Stinger missiles and other weapons to Taiwan was "a kind of obstacle to peaceful reunification" of China and Taiwan, Mr Shen Guofang, foreign ministry spokesman, told the press. China regards Taiwan as a renegade province.

Economic woes may help chaebol leaders

Kim Woo-choong: permit to travel

Mr Kim Woo-choong, the Daewoo chairman, convicted for bribing former president Roh Tae-woo, was preparing to begin travelling today to China and Poland to oversee the company's projects as if it was business as usual.

Perhaps it is. Although legal restrictions would normally keep Mr Kim in Korea until any appeal against his sentence is completed, the government has given him and the other businessmen convicted this week special approval to go abroad.

That has raised expectations that the business leaders, who also include the heads of the Dong-ah, Jinro and Hanbo groups, will either be given a presidential pardon or receive a suspended jail sentence on appeal.

It is not hard to find a reason for the government's sudden change of heart. Officials need the co-operation of conglomerates such as Daewoo, Korea's fourth biggest industrial group, to get the economy out of trouble.

Mr Kim Woo-choong may be be hoping that the country's faltering economy will keep him out of jail.

New evidence of economic woes appeared yesterday with the announcement that gross domestic product growth in the second quarter of 1996 was the slowest for three years at 6.7 per cent.

This has raised renewed concerns that economic growth for the year may slip below the official target of at least 7 per cent. Companies are cutting industrial investments because of sluggish exports of such important products as semiconductors, petrochemicals and steel.

There are other signs that the government in the last 24 hours has shifted from attacking big business to supporting it.

Tax authorities announced on Monday, after the court ruling against the businessmen, that they would conduct an investigation of companies involved in the bribery scandal. But officials yesterday suddenly suggested the investigation may be scaled back.

This week's events are an extreme example of the government's schizophrenic relations with the leading conglomerates, or *chaebol*.

For the last decade or so, national leaders have alternatively condemned the *chaebol* as greedy and too powerful or praised them as the saviours of the Korean economy.

Although the rapid growth of the *chaebol* was the result of generous state support, politicians have often criticised the *chaebol* because this appeals to the public, most of whom do not work for the conglomerates. The *chaebol* are regarded by them as huge economic monsters that lay waste small businesses.

The bureaucrats who normally have their way in the heavily state-influenced economy are also worried the *chaebol* are becoming too big to control.

When the *chaebol* were implicated last year in the bribery scandal involving Mr Roh, the public took delight in witnessing *chaebol* leaders being humiliated by filing into the prosecutors' office for questioning.

But by early this year, President Kim Young-sam was wining and dining the *chaebol* leaders at a lavish dinner at the Blue House, the presidential mansion. He called for their support as the first signs of economic problems became apparent.

Then came another policy reversal in the spring as parliamentary elections approached, with the government promising to curb the *chaebol's* economic dominance.

The government's gyrations this week have understandably left analysts thoroughly confused.

But most observers believe that the tough prison sentences proposed by the Seoul district court were intended only to send a sharp warning to the *chaebol* leaders without risking an actual confrontation.

In this case, the bad economic news may be good news for the *chaebol*.

John Burton

Shenzhen reduces the cost of being a foreigner

By John Ridding in Hong Kong

From businessmen to back-packers, the cost of being foreign is set to fall in Shenzhen, the southern boom-town at the forefront of China's economic reforms.

According to local officials, the city authorities are planning a policy shift so foreigners can pay local rates for accommodation, medical bills and tourist sites, instead of higher "foreigner prices" charged across China.

This gap can be substantial. Shenzhen's Shangri-La Hotel offers rooms to foreigners at HK$888 (US$114.80) a night in its summer package. Local high-rollers get the same rooms for HK$637. Foreign visitors to Beijing's Forbidden City pay Yn85 ($10.20); local residents pay Yn20.

The measures, provisionally scheduled to take effect at the start of next year, drew a welcome response in Hong Kong, long irritated by discriminatory pricing across the border. "This will be a boost for tourism," said Mrs Daisy Lai of China Travel. "It gives a bad image when tourists look around and see a price gap for themselves and for locals."

For foreigners, the hope is that Shenzhen's initiative may be repeated elsewhere.

Since it was declared a Special Economic Zone in 1980, the southern region has been a laboratory for economic experiments under reforms initiated by Deng Xiaoping, China's supreme leader.

Foreign investors have flocked to the zone, investing more than $9bn since 1979 and transforming the once sleepy farming community into an export powerhouse. More than 600 high-rise blocks (18 storeys or more) have sprung up to house the expanding local and foreign business community.

International businessmen, in particular, are aware that the move towards national treatment which underpins the latest policy proposal has its dark side. Tax breaks for imports of capital equipment were ended on April 1 this year, reducing incentives for foreign investors.

"Treatment in the Special Economic Zones is not as special as it was a few years ago," one western manufacturing executive with a plant in Shenzhen says.

For foreign businessmen in the economic zone, some consolation might be drawn from cut-price entrance to Splendid China and Mini-World, the local tourist attractions which include a not-so-Great Wall of China and a pint-size Eiffel Tower.

ASIA-PACIFIC NEWS DIGEST

Japanese plan for rail debt

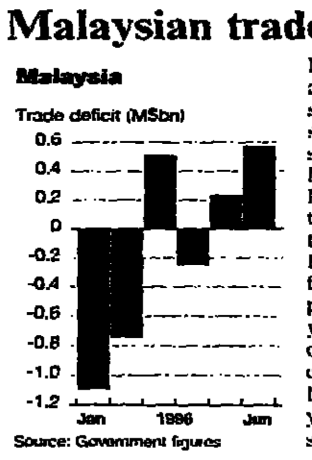
Japan's transport ministry has drawn up a plan to dispose of debts incurred by Japanese National Railways (JNR), the state-run railway group which was broken up into seven companies in 1987.

The plan, which is to be sent to the finance ministry, will include the splitting of debts put at Y28,300bn ($262bn) held by JNR Settlement, a special entity created to dispose of JNR assets.

The move comes amid rising criticism of government delays over the disposals.

The transport ministry had postponed plans to sell former station sites owned by JNR during the asset "bubble" of the late 1980s, fearful of fuelling speculation in the property market. Land prices have since plunged. Under the plan, JNR Settlement will be dissolved next year and disposable assets will be shifted to a new fund. Of the Y28,300bn debt, more than Y20,000bn is expected to be paid for by the taxpayer. *Emiko Terazono, Tokyo*

Malaysian trade surplus soars



Malaysia yesterday announced a big trade surplus for June after a steep drop in imports. The surplus, which rose to M$574.1m (US$230m) from M$238.5m in May, is likely to allay investors' fears over the current account deficit. Both imports and exports fell in June, with imports posting their biggest year-on-year drop in a decade by falling 11.5 per cent from their June 1995 level. For the first half this year, the total merchandise shortfall was M$788.1m, against a deficit of M$5.6bn for the same period in 1995. Malaysia's current account deficit is a source of concern to the markets. Economists expect Malaysia's merchandise trade deficit this year to shrink from last year's M$9.2bn perhaps to below the government's prediction of M$7.1bn. The crucial element behind this trend is the global slowdown in demand for electronics goods, which account for 18.8 per cent of Malaysia's exports and require imports of many components. *James Kynge, Kuala Lumpur*

SE Asian groups in NZ deal

Two south-east Asian companies yesterday bought Works Corporation, the New Zealand government's building and architectural ministry, for NZ$83.8m (US$58m) in what is likely to be the last sale of a state-owned asset.

It comes a week after the sale of the Forestry Corporation for NZ$2.1bn. The National government was committed to ensuring both sales were completed before general elections in early October. These are expected to open the way for a succession of coalition governments which are likely to be opposed to further sales.

Mr Philip Burdon, state-owned enterprises minister, said the corporation was being split into two for sale. Downer and Co, a member of the Hong Kong-based Paul-Y ITC Construction Holdings group is to buy Works Civil Construction, and Malaysian-based Kinta Kellas is to buy Works Consultancy Services. *Terry Hall, Wellington*

Fall in rand will delay the ending of exchange controls

By Roger Matthews in Johannesburg

Mr Chris Stals, governor of South Africa's central bank, painted a sombre picture of the country's immediate economic prospects yesterday, and said the fall in the rand and loss of reserves would mean further delays in abolishing exchange controls.

"We will have to be much more cautious on exchange controls, and what our next steps should be," he said. "It does not mean it has been delayed entirely, but it has had an effect."

Mr Stals said the 20 per cent depreciation in the value of the rand against a basket of currencies since mid-February could not be justified by economic fundamentals. The rand closed yesterday in Johannesburg at R4.52 to the dollar, virtually unchanged on the day. "The currency's value surely does not reflect the true economic potential of the country," he said.

But, said Mr Stals, there was no painless way for South Africa to adjust to the abrupt fall in capital inflows this year. Net capital inflows had plummeted, amounting to only R2.7bn in the first six months, compared with a total of nearly R22bn in 1995.

Stals: concern over growing current account deficit

The inflows last year had concealed the underlying structural weaknesses in the economy, which were now becoming clearer, Mr Stals told the annual meeting of the Reserve Bank.

The worsening current account deficit, which rose to R6.9bn in the first half compared with a full year deficit of R2.2bn in 1994, was now a matter of concern. While the rate of increase in money supply was leading the country "towards an untenable debt position where an unduly high share of current income, of both government and households, would be claimed for debt servicing," he said.

"This dangerous prospect holds a serious warning for the banking sector to apply greater caution in their lending operations. It also dictates the need to continue with a restrictive overall monetary policy."

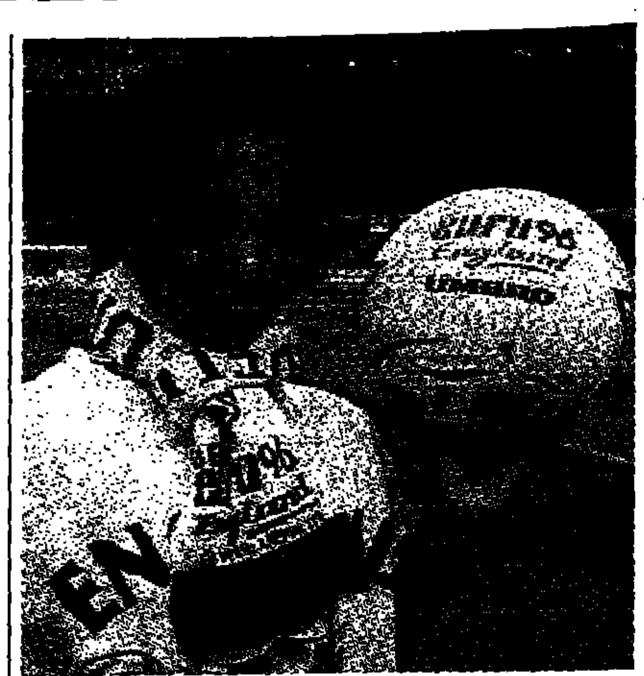
Mr Stals acknowledged that he was under pressure from several sources to ease monetary policy, but in the interests of financial stability and longer-term sustainable growth, the Reserve Bank "must persist on its course of responsible monetary restraint".

This was despite growing evidence the economic growth rate was slowing. Mr Stals said he still expected 3 per cent growth this year, but the main impetus was no longer manufacturing, which had declined by about 1 per cent in the first half, compared with 11 per cent growth in the comparable period last year.

The Reserve Bank was well aware of the adverse implications of high interest rates. "But South Africa, with its low savings and high consumption, cannot have low interest rates for any length of time without running the risk of persistent high inflation. The upward pressure on interest rates is further exacerbated by the present overall balance of payments deficit," said Mr Stals.

In this context it was vital for the government to reduce the budget deficit and implement policies set out in the macroeconomic framework document published in June.

Unemployment, however, which rose by 280,000 last year, remained the country's most intractable issue.



A youth displays the Euro '96 football. It was claimed souvenir balls were made by child labour in Pakistan

Fifa plans child labour code for football makers

By Graham Bowley

Fifa, the world's football governing body, has agreed in principle to an international code of conduct to stop child labour being used in the manufacture of footballs.

The decision follows an outcry during the Euro '96 football championship in England in June over allegations that authorised souvenir balls were being produced by child workers in Pakistan.

Fifa officials will meet representatives from union bodies and the International Labour Organisation in Zurich next week to discuss a code of practice for companies wishing to sell footballs under the Fifa name.

An estimated 80 per cent of the world's footballs are produced in Pakistan, mainly around the north-eastern city of Sialkot.

The code will stipulate certain labour standards such as a minimum age for workers, working hours and conditions and union representation, which manufacturers and subcontractors will be obliged to accept.

About 30 companies worldwide are expected to subscribe to the code.

Fifa said responsibility for policing the code to ensure it is implemented would fall to union bodies such as the International Confederation of Free Trade Unions.

This latest decision on footballs follows other successful high-profile campaigns by western charities and unions aimed at highlighting workers' conditions in industries such as toys, clothing and footwear, dominated by western multinationals.

A campaign launched by western charities drew consumer attention to large sports shoe companies such as Nike and Reebok, many of whose shoes are made in Asia.

Some of the toy, clothing and shoe companies have drawn up codes of conduct on working standards in response to pressure. But the issue of independent monitoring is proving contentious.

Bid to revive Mideast peace talks runs into Jerusalem row

By Avi Machlis in Jerusalem

The gulf between Palestinians and Israel's right-wing government appeared to be widening yesterday in spite of attempts by US, Egyptian and Israeli officials meeting in Paris to revive stalled Middle East peace talks.

Tensions flared in Jerusalem as Israel demolished a building under construction in the Arab section of the city and as plans were revealed for the expansion of a Jewish West Bank settlement, the most substantial move on settlement activity since the government of Prime Minister Benjamin Netanyahu came to power.

Meanwhile, negotiators were meeting in France to try to fend off the threatened cancellation of a Middle East economic conference set for November in Cairo. The meeting was called after President Hosni Mubarak of Egypt warned that the conference was unlikely to take place unless Israel started to meet its peace commitments to the Palestinians.

Under pressure from Mr Mubarak and from his own party Mr Netanyahu has since promised to renew the talks soon. But the latest developments in Jerusalem are bound to complicate these efforts.

Enraged Palestinians marched in Jerusalem and staged a two-hour general strike following the destruction of a building which they said was to house a community centre. The Jerusalem municipality which was responsible for the move said no permit had been given for the building.

Earlier, an Israeli newspaper, Ma'ariv, had reported plans to expand the West Bank settlement of Kiryat Sefer by building up to 1,800 housing units.

The defence ministry swiftly attributed responsibility for the plan to the previous leftwing administration of Mr Shimon Peres. "The building plan was approved in the past by the previous government and now it has been approved anew according to the government's decisions."

Both developments fuelled intense bitterness among Palestinians who felt they had taken concrete steps earlier in the week to defuse tensions in the disputed holy city. The self-rule Palestinian Authority based in the West Bank and Gaza Strip has said it is closing three offices in Arab East Jerusalem in a conciliatory gesture to Israeli demands to shut down Palestinian offices in the city.

Although the offices closed are minor institutions, Palestinians hoped this would pave the way for an overdue Israeli withdrawal from the West Bank town of Hebron, as agreed upon in interim peace accords.

Mr Netanyahu has not commented on the move. A spokesman said the prime minister's office is checking to see whether the offices have closed down.

The status of Arab East Jerusalem, one of the thorniest issues on the Israeli-Palestinian agenda, is to be decided in final status peace talks set to run to 1999 between Israel and the Palestinian Authority. Talks have not resumed since the election in May of the Israeli government.

"The Israelis are sending a very clear message to the Palestinians that we do not want peace with you," said Mr Ahmad Qoraj (Abu Alaa), speaker of the Palestinian Legislative Council and one of the architects of the Israeli-Palestinian interim peace accords.

Zimbabwe civil service strike threatens hopes of IMF loan

By Tony Hawkins in Harare

Demonstrations by striking civil servants dragged on into their seventh day in Harare yesterday despite the announcement in the state-controlled media that the first 80 government employees who defied instructions to return to work had been dismissed.

Zimbabwe's civil servants claim they have been offered a 9 per cent pay award – 3 per cent on basic pay and a 6 per cent increase in allowances – well below the average for state companies, where increases of 30 per cent have been awarded to railway and electricity workers and 27 per cent to postal workers.

Although government officials deny that the wage award is so low and insist that many civil servants are getting a 20 per cent award, estimates show a total increase in the civil service salaries and wages budget over the next year of only 11 per cent.

The week-long strike has hit hospitals and courts, customs and tax collection, and fire and rescue services at airports, and has led to some flights being cancelled. Air traffic controllers have threatened to join the strike.

The state media has gone to some lengths to play down the stoppage, with minimal reporting and few pictures of demonstrations.

The average real civil service wage has fallen more than 40 per cent since 1990, while the current round of wage awards in some 35 industries and activities averages 25 per cent. Inflation is running at 22 per cent and has averaged 28 per cent a year over the last five years.

Although the government has threatened to dismiss – and refuse to re-engage – the strikers, it is expected to have to negotiate a costly, face-saving compromise.

If, as seems inevitable, the government yields to the strikers, its chances of negotiating a new loan agreement with the International Monetary Fund would be even more remote than at present.

A further 12 per cent award – seen as the bare minimum – would add another $100m to the projected 1996-97 budget deficit of $680m (8.5 per cent of GDP). The pay award would be equivalent to more than 1 per cent of GDP, lifting the budget deficit to a minimum of 9.5 per cent in 1996-97.

In the meantime, the government's cause is hardly being helped by President Robert Mugabe himself. Returning from honeymoon in Cape Town on Monday, the president said: "We don't take kindly to illegal strikes. Already the public service is far too large and this may be an opportunity for us to reduce it."

Apec to encourage investors in power

By Nikki Tait in Sydney

Energy ministers from the 18 nations which make up the Asia-Pacific Economic Co-operation (Apec) forum are expected to encourage private investment in the region's power infrastructure.

The ministers, who start a two-day meeting in Sydney today, will consider recommendations from an Apec working party for more transparency in electricity investment permits and approvals procedures, and more efficient tendering procedures.

The moves come in the wake of concerns that the region may have difficulty in meeting its burgeoning energy requirements over the next 15 years.

Assuming economic growth within the region of an average 3.3 per cent a year, around $1,300bn of investment in power-related infrastructure is thought to be essential by the year 2010. Industrialising economies – notably within Asia – are likely to require about three-quarters of this.

However, the increased financial pressures from donor nations on multilateral development agencies such as the World Bank and the Asian Development Bank mean that such institutions will probably be capable of financing only about 15 per cent of this.

A report commissioned by the Apec energy working group last year highlighted the need to encourage business sector investment, which currently accounts for under one-tenth of installed capacity.

The report also argued that a regional approach to the energy problem would be beneficial. Collective action, it suggested, could lead to direct cost-savings – for example, via the co-ordination of electricity generating equipment specifications – and, possibly, to lowering investors' risk perceptions.

US bid to stem Helms-Burton damage

By Nancy Dunne

The Clinton administration is sending a top trade diplomat to Mexico, Canada and Europe to try to repair the damage to US relations with some of its closest allies by passage of the controversial Helms-Burton Act.

The legislation, signed by President Bill Clinton after Cuba shot down two unarmed aircraft manned by Cuban-Americans, penalises certain foreign investment in Cuba.

Mr Stuart Eizenstat, the commerce department trade undersecretary, has said he will not discuss the Act on his travels but will search for new initiatives. He said he would consider sending humanitarian aid to Cuba as a means of "strengthening civil society" and could seek the adoption of voluntary business principles aimed at ensuring that future investment in Cuba promotes democracy.

Mr Clinton has waived for at least six months a provision which allows US companies and individuals to file suits in US courts against "traffickers" in expropriated properties. However, the president needs political cover if he is to waive the provision in the future, and this is what Mr Eizenstat will seek to construct.

A State Department spokesman said Mr Eizenstat had no "20-point plan" but was hoping for a "dialogue" and suggestions from the ministers he would meet. In Mexico today, he will meet Mr José Angel Gurria, foreign minister, and Mr Herman Blanco, trade and industry minister.

In Canada Mr Eizenstat will meet Mr Art Eggleton, the trade minister, and Mr Lloyd Axworthy, the foreign minister, on Friday. Ottawa has said it will co-operate in efforts to push for democracy in Cuba but will not back down in resisting the US legislation.

His schedule in Europe has yet to be finalised.

However, even as Mr Eizenstat searches for solutions, Helms-Burton is moving relentlessly ahead. The law requires the president to bar executives from companies found to be "trafficking" in or profiting from property confiscated after Cuban president Fidel Castro came to power in 1959.

Letters went out last week to executives of Grupo Domos, a Mexican telecommunications company, warning them that they will be denied entry into the US in 45 days if they continue to use property in Cuba once owned by Americans.

The 45-day warning imposed on seven executives from Sherritt International Corporation, a Canadian mining company, has expired.

David Owen in Paris adds: Mr Hervé de Charette, the French foreign minister, has indicated the European Union could lodge a formal complaint with the World Trade Organisation against the Helms-Burton law. Interviewed by Les Echos, the French business newspaper, Mr de Charette said consultations on the issue with the US had not come to anything, "so we will probably have to move to the contentious phase with the constitution of a panel".

Trinidad knocks on Nafta's door

The US would prefer tiny Caribbean nations to approach the trading club as a group

The tiny Caribbean republic of Trinidad and Tobago is hoping to join the giants of North American trade in the Nafta free trade bloc.

The nation of 1.2m people has told the US, Canada and Mexico – partners in the North American Free Trade Agreement – that it wants to join after Chile negotiates membership.

Although the response from Washington has been lukewarm, Trinidad's government feels size does not matter and believes it has a strong case. Mr Basdeo Panday, the prime minister, says: "The economies of the Nafta partners and that of Trinidad and Tobago are complementary, and our membership would demonstrate how small economies can benefit from this type of trade arrangement."

Government officials say the nation's future, and that of other Caribbean countries, lies with Nafta. The likely benefits include protection of their external trade as existing trade arrangements with Canada, the European Union and the US may be phased out.

In a country of sharply polarised and personalised politics, this is an issue on which government and opposition find common ground. "The US is our main trading partner, and the North American countries which make up Nafta are our natural trading partners," says an official of the opposition People's National Movement.

The former PNM administration, defeated in polls a year ago, started preparations for seeking Nafta membership. In preparing its application, Trinidad and Tobago has signed intellectual property rights agreements and bilateral investment treaties with the US.

> Although the response from Washington has been lukewarm, Trinidad feels that size does not matter

The government has been encouraged by the recent performance of the economy – based on oil, gas and petrochemicals – which expanded by 1.9 per cent last year.

The expansion is continuing, with committed investments of about $3bn in petrochemicals, including a $1bn liquefied natural gas plant by European, US and local companies. The growth represents recovery from the disruption of four years ago when the government deregulated the economy and floated the currency.

The foreign minister, Mr Ralph Maraj, claims Mexico and Canada support Trinidad's bid. "With the tough economic policies which we have implemented, and the agreements we have signed, we have met all the conditions for membership of Nafta. We are ready for the big leap," he says.

This enthusiasm is not shared in some important places. The US government is not keen on dealing with applications for Nafta membership from several small countries in the region which might be encouraged if Trinidad and Tobago is accepted, according to US diplomats in the Caribbean.

They would prefer Caribbean nations to approach Nafta as a group such as the Caribbean Community (Caricom), a 14-member trade bloc. US officials contend also that Caribbean and Central American states are far from meeting basic criteria for Nafta membership, such as the reform of labour laws and environmental protection regulations.

Seeking Nafta membership will be too expensive for small economies, says Mr Simon Molina Duarte, a Venezuelan economist who is secretary general of the Association of Caribbean States, a grouping of 24 nations seeking increased trade in the region.

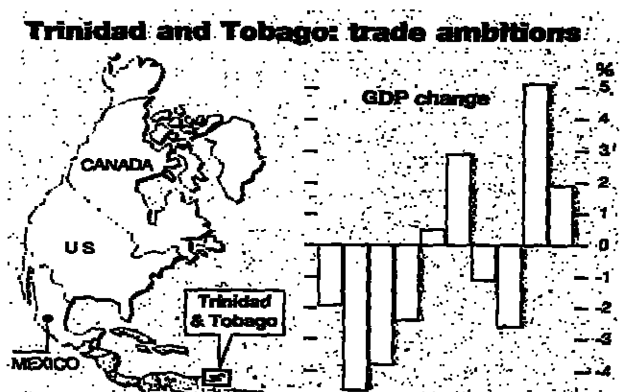
"There are few countries in the hemisphere which have the resources and the manpower to undertake joining Nafta. It cost Mexico $300m in preparing to join Nafta. This involved working with 86 committees using a team of over 100 experts employed full time. Venezuela was also contemplating Nafta membership, but the government stopped when it was revealed how much it had cost Mexico."

Nafta membership for Trinidad and Tobago would also damage the integrity of Caricom, as some members would be hurt if they were also to open their markets too quickly, argue some regional governments. This also means Caricom could not seek Nafta membership soon.

But Mr Maraj is undeterred: "On the contrary, Trinidad and Tobago's entry to Nafta will allow us to buy more products from our Caricom partners and strengthen regional economies," he says. "Everyone will benefit, it will help us all to prepare for the hemispheric free trade area planned for 2005."

Canute James

Trinidad and Tobago: trade ambitions



Source: IMF; Central Bank of Trinidad & Tobago

WORLD TRADE NEWS DIGEST

Virgin in Swiss fares protest

Virgin Express, the low-cost carrier owned by Virgin of the UK, has shelved plans to begin services between Brussels and Geneva because the Swiss authorities will not allow it to charge one-way fares of SFr115 ($96) – 50 per cent lower than those available at present.

Mr Jonathan Ornstein, Virgin Express chief executive, said: "We have been denied the right to offer the kind of low fares that have been the trademark of this company. We felt it was unfair to our passengers to continue to plan commencement of service when it was apparent that we would be unable to reach an agreement with the Swiss authorities to allow us to fly. Thankfully, due to long overdue deregulation, this sort of situation could no longer come about within the boundaries of the EU."

The airline said it had no difficulty offering cut-price fares within the EU and would begin flying between Rome and Madrid and between Brussels and Copenhagen in September. The airline, called Euro Belgian Airlines until it was acquired by Virgin in April, already flies from Brussels to Barcelona, Madrid, Nice, Milan, Rome and Vienna. *Michael Skapinker, Aerospace Correspondent*

Turkey-Russia pipeline deal

Turkey's state-owned pipeline operator Botaş is to sign an agreement with Russia's Gazprom natural gas company in September to build a $1.1bn pipeline to Turkey.

Mr Mustafa Murathan, Botaş general manager, said the 1,160km pipeline would carry up to 16bn cubic metres (bcm) of gas a year, allowing Turkey to increase gas imports from Russia, its only supplier, to 30bcm by 2010 from 6bcm at present. Construction would begin in 1997.

Turkey, Europe's fastest growing energy market, has recently signed a number of energy deals to stave off impending power cuts. Turkey is to import electricity from Georgia, Bulgaria and Iran. *John Barham, Ankara*

Sandvik in India steel venture

Sandvik, one of Europe's leading engineering groups, is to launch a joint venture company in India to produce seamless steel tube and piping. The Swedish company said the collaboration with Choksi Tube Company, the Indian tube manufacturer, would have annual sales of $30m and capacity of 7,000 tonnes a year.

It marks the first step outside Europe and North America for Sandvik's tubing operations and is part of a growing focus on developing markets. The new company, to be called Sandvik Choksi, will be 51 per cent owned by Sandvik and 49 per cent by Choksi. The venture will be based on existing operations at Choksi's extruded metals division, into which Sandvik is to pump an unspecified amount of capital. *Greg McIvor, Stockholm*

BA clear to take over TAT

The European Commission has cleared plans by British Airways to buy control of a French air transport company, TAT European Airlines. TAT EA, which primarily serves routes within France, is jointly controlled by BA and TAT (France). BA recently announced it was exercising an option to buy the remaining 50.1 per cent of TAT EA.

The Commission said it had examined the impact of the new operation, particularly on routes between London and Paris as well as London and Lyons, and decided "not to oppose the concentration". *Caroline Southey, Brussels*

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Bid to revive Mideast peace talks runs into Jerusalem row

Virgin in S
fares prote

Clinton heads for celebratory Democratic convention

By Jurek Martin in Chicago and Patti Waldmeir in Toledo

President Bill Clinton moved closer to the windy city of Chicago yesterday to claim the presidential nomination of his Democratic party, saying government could make a difference to ordinary lives, praising the trade union movement and promising renewed efforts to combat illiteracy, all as his campaign train passed through Ohio and Michigan.

But it was his wife, Mrs Hillary Rodham Clinton, who was to hold centre stage later in the evening as the featured speaker at what was billed as the convention's "family night". She, too, was expected to emphasise the virtues of government initiatives to assist the less fortunate.

At a Chrysler Jeep factory in Toledo, Ohio, Mr Clinton said: "There is a connection between what we do, or fail to do, in Washington and how you live here in Toledo." He noted that Jeep exports had doubled in the last four years, mostly as a result of trade agreements negotiated with Japan.

That connection, he went on, could be made more clear by people "telling personal stories" of how government assistance could work and where it was needed. He specifically cited the case of Christopher Reeve, the actor paralysed in a riding accident, whose opening night convention address from his wheelchair moved many delegates to tears.

The convention itself, lacking real suspense and controversy, has been turned more into a celebration of what citizens and government can do together than the usual forum for political rhetoric and intense debates over policy so characteristic of Democrats.

Dissent has not been suppressed, as pro-abortion choice Republicans thought it was in San Diego two weeks ago. The Rev Jesse Jackson, the civil rights veteran, and Mr Mario Cuomo, former New York governor, are promising to put on record, if briefly, their objections to the welfare reform bill signed by Mr Clinton last week.

But party managers have calculated, apparently correctly, that liberal Democrats are prepared to swallow their reservations over policy in the interests of re-electing Mr Clinton.

That latitude was also evident in Toledo. One speaker said the North American Free Trade Agreement with Mexico, pushed through by the administration in 1993, harmed US workers.

Mr Clinton's mild response was that the "global market is tough to operate in". But he then praised organised labour for rising to new challenges, as at the Jeep plant, and for lobbying so effectively for an increase in the federal minimum wage, also signed into law last week.

In seeking to establish an uplifting, if sentimental, tone, the Democrats are also hoping to stage a convention more appealing to the wider public than was the Republican version.

Hillary to step from shadow of Superman and Mrs Dole

Jurek Martin on the task for a lower-profile First Lady

The little old lady from Dayton, Ohio, flying home from Maine via Chicago, would not say if she was a Democrat or a Republican, but could hardly contain herself on the subject of Hillary Rodham Clinton.

"It's just not fair what they're doing to her. She's done nothing to deserve it, she might not be perfect, but who is? It's just not fair. I pity any woman who finds herself in the same position. They'll do it for Mrs Dole, too."

That is the message the Democrats would like to get over this week in Chicago and so, doubtless, would the First Lady herself – a featured speaker at yesterday's convention session, dubbed "family night", and a very visible presence in her hometown all week.

"It takes courage these days to be in public service," she said in one of many Monday appearances. On opening night she sought to associate herself with the courage of others. She sat in the gallery next to the son of Jim Brady, the press secretary left partly paralysed by the assassin's bullet intended for President Ronald Reagan in 1981, and then with the wife of Christopher Reeve, the actor rendered quadriplegic by a riding accident two years ago, as both clearly moved delegates with appeals for their respective causes.

Mr Brady, along with Sarah, his wife, has the 1994 handgun control act named after him. Mr Reeve, who made his name as Superman in the movies, wants more state aid and research for the severely disabled.

The actor, semi-prone in his high-technology wheelchair, invoked President Franklin Roosevelt ("a man who could barely lift himself from his wheelchair could lift this nation out of despair"). Mrs Clinton is not shy of comparing herself with FDR's wife, Eleanor, the subject of equivalent, if less media-intensive, critical scrutiny half a century ago.

Her most obvious task last night was to match, though not mirror, the performance two weeks ago in San Diego by Mrs Liddy Dole, wife of the Republican nominee and, like Mrs Clinton, a woman of accomplishment independent of her husband.

Mrs Clinton, campaign aides said, would ascend to the podium from the floor, whereas Mrs Dole had moved in the opposite direction to give her chatty, talk-show style address. Where the would-be First Lady extolled the virtues of her husband, the incumbent was expected to focus on what government could do to help society's less fortunate, especially its children.

That is consistent with the lower and less controversial profile Mrs Clinton has taken over much of the last two years following the failure of the national health care reform with which she was so closely associated. She now talks publicly much more of "my husband's administration" than her own agenda, generally reckoned to be more liberal than the president's.

While she remains very popular among activist Democratic women – and an object of sympathy to those like the little old lady from Dayton – there is no doubt that Mrs Clinton also excites strong antipathies, especially among men. Polls consistently show that no First Lady has ever been viewed with such mistrust and outright hostility.

But if the president's re-election campaign is flying high because of his big edge over Mr Dole among female voters, it may partly be because independent-minded women, many with their own careers, identify with Mrs Clinton. Moderate Republicans, such as Mr Marlin Fitzwater, the former White House press secretary, also had reservations about the degree of Hillary-bashing so prevalent in San Diego.

She also may serve the useful tactical function of drawing some fire away from Mr Clinton himself. Though still an influential voice in her husband's ear, she no longer behaves like the co-president she was held up to be in the 1992 campaign, thereby enabling him to appear more in command – and he, not she, is up for re-election.

The potential big negative remains her alleged complicity in Whitewater matters and in her presumed leading role in firing the White House travel office staff in 1993. But Republican hopes that she might be indicted, perhaps for obstruction of justice, before the election are now more faint.

Here, at least, she is among friends and admirers. As Ms Geraldine Ferraro, in 1984 the first woman on a national party ticket, put it: "What the Republicans have to understand is that when they're beating up on Hillary they're beating up on all of us." Somewhere in Dayton that sentiment found an approving echo.

Fugitive financier jailed for 13 years in Cuba

By Pascal Fletcher in Havana

Mr Robert Vesco, the fugitive US-born financier, has been jailed for 13 years for economic crimes by Cuba, the island that sheltered him from US justice for 14 years.

Mr Vesco, now 60, grey-haired and in ill health after nearly 25 years on the run from US embezzlement and drug-trafficking charges, was jailed for his part in a biotechnology project, which one close friend said was intended to have been his "swan song" before a quiet retirement in Cuba. He and his Cuban wife, Mrs Lidia Alfonso, who received a nine-year term, can appeal against the sentences.

Mr Vesco gained notoriety after fleeing the US in the early 1970s to escape charges that he had swindled $224m from his old company, Investors Overseas Services, a Swiss-based Canadian mutual fund. He had allegedly also tried to halt the US investigation against him by giving $200,000 in illegal campaign contributions to President Richard Nixon's re-election effort.

His reputation as one of the world's best known financial fugitives grew as he stayed one step ahead of the US law, living in Costa Rica, the Bahamas and then Cuba.

Set against the background of the tense political stand-off between the US and communist-ruled Cuba, Mr Vesco's last attempted scam involved an attempt to develop for sale abroad an alleged "miracle drug", known as TX, which its backers claimed could help cure cancer and Aids.

During his three-day trial in Havana early this month Mr Vesco testified he had learned about the plant-based TX drug invented by a US doctor from his friend Mr Donald Nixon Jr, nephew of the late President Nixon. Wary of the time, money and stringent Food and Drug Administration approval required for biotechnology projects in the US, the two decided to turn to Cuba, whose government has invested millions of dollars in a bid to create a pharmaceutical export industry.

According to the prosecution, Mr Vesco misled potential investors from Italy, Switzerland and Colombia into believing that Cuba was already producing the TX drug, persuading them to part with several hundred thousand dollars, some of which found its way into his Cuban bank account.

Vesco arrives at court for his trial earlier this month AP

But many observers are asking why Mr Vesco and his wife were the only ones in the dock. They argue it is difficult to believe that Mr Vesco could have had such freedom to operate in Cuba's secretive biotechnology sector unless he enjoyed powerful high-level backing. Mr Vesco's trial testimony that he had never met Mr Fidel Castro did not completely dispel these questions.

Hashimoto visit boosts Japan's links with Peru

By Sally Bowen in Lima

Mr Ryutaro Hashimoto made the first visit by a Japanese premier to Peru since 1982 yesterday, in a sign of the excellent bilateral relations that have developed since the election of Mr Alberto Fujimori in 1990.

Mr Hashimoto yesterday offered $600m in credits for a hydro-electric plant, rural road-building and a sewage project. Last year, Japan provided $300m in credits for Peru.

Technical assistance, supply of agricultural and road-building equipment and support for school construction have been priorities. Japan's Eximbank is providing a $155m loan for the San Gaban hydro-electric project in the department of Puno. Direct investment by cautious Japanese businessmen, however, has been almost non-existent.

Peru has tried to build on its links with Japan and China (which both have large émigré communities in Peru) by stressing its strategic geographical position as a "gateway" between Asia and Latin America. It is on the waiting list to join the 18-nation Asia Pacific Economic Co-operation Forum (Apec) and is participating in two working groups, on tourism and fishing, in the hope of advancing its candidacy.

Peru is the only other country in the world to be governed by a "nikkei" (someone of Japanese origin) and Peru has the second largest Japanese colony (around 100,000) in the continent after Brazil.

Opinion polls consistently show that Japan is the country Peruvians most trust and admire.

Widely respected for their honesty and hard work (characteristics which Mr Fujimori effectively stressed in his 1990 election campaign), the Japanese traditionally maintained a low profile in Peru, building up important businesses but playing little part in public, far less political, life.

Many in the Japanese émigré community viewed the election of Mr Fujimori with alarm, fearing that failure in office would damage its image. In fact, his notable successes in normalising international financial relations, curbing inflation and defeating terrorism have served to enhance still further the image of Japan in Peru.

Now Peru's "nikkei" have overcome their aversion to public office: virtually every government entity, public company and privatisation committee boasts at least one senior representative with a Japanese surname.

Mexico accuses leftist guerrillas of kidnappings

By Leslie Crawford in Mexico City

Mr Antonio Lozano, the Mexican attorney-general, yesterday accused leftwing guerrilla groups of orchestrating the abduction of prominent businessmen such as Mr Mamoru Konno, the Japanese Sanyo executive kidnapped this month in the border town of Tijuana.

This is the first time a senior law enforcement officer has linked guerrilla groups to the surge of kidnappings in Mexico. Mr Lozano said evidence pointed to the involvement of the Popular Revolutionary Army (EPR), a shadowy group which made its first public appearance in June in the hills of Guerrero, on Mexico's Pacific coast.

He said his office was also investigating the suspected role of the EPR in the abduction of Mr Alfredo Harp Helú, one of Mexico's richest bankers, in 1994.

Mr Harp Helú was released after three months in captivity for a ransom of close to $30m. Mr Konno was freed last week for a reported ransom of $2m, paid the day before Mr Ryutaro Hashimoto, Japanese prime minister, arrived in Mexico on a state visit.

Mr Lozano is under intense pressure to find Mr Konno's abductors in order to reassure the foreign business community it is safe to invest in Mexico. He said in an interview that the evidence linking the guerrilla group to the kidnappings was not conclusive, and that investigations were continuing.

Mr Lozano occupies the hottest seat in Mexican politics after the president. He has also been charged with the task of unravelling the most shocking political assassination of Mexico's recent history: that of Mr Luis Donaldo Colosio, the presidential candidate of the ruling Institutional Revolutionary party, murdered while campaigning in Tijuana in March 1994.

At the same time, Mr Lozano is attempting to purge the police force of corruption and ties to drug traffickers, and he is doing all this as the only member of the opposition National Action party to serve in President Ernesto Zedillo's cabinet.

Mr Lozano said yesterday the investigation into Mr Colosio's murder had reached a "very delicate stage" after a double setback: the acquittal of the alleged second gunman in the murder, and the subsequent dismissal of Mr Pablo Chapa Bezanilla, the special prosecutor in the Colosio case and one of Mr Lozano's most trusted lieutenants.

Mr Chapa Bezanilla was the third special prosecutor to be dismissed by presidential decree after failing to unravel a case which many Mexicans believe is insoluble.

In his fight against corruption, Mr Lozano earlier this month sacked 800 officers, a fifth of the federal police force, in the most sweeping purge of a top law enforcement agency ever carried out in Mexico.

Mr Lozano said the men were sacked for not meeting standards of "professionalism, honour, efficiency and respect for the law". However, he acknowledged the purge would not automatically rid the police force of corruption. He was also aware the mass sackings might feed a new crime wave in Mexico.

Mr Lozano said he would rather fight criminals "out in the open", rather than within his own institution. He said his office was working on new identification badges for his police force, and a computerised data bank which would track the professional history of all police officers.

AMERICAN NEWS DIGEST

US confidence at six-year high

Consumer confidence in the US hit a six-year high in August. The US Conference Board's Confidence Index rose 2.4 points to a high of 109.4 this month.

This sustained growth, which followed an increase of seven points in July, was a surprise to many American economists, who had expected the index to decline to about 105 points.

The rise jolted the US Treasury bond market, driving up the yield on the benchmark 30-year bond to just under the vital 7 per cent threshold. However, the bond market recovered swiftly, and the stock market was little affected.

Optimism about current business conditions climbed two points, and consumer's expectations for the coming six months rose by three points.

Nearly 29 per cent of those surveyed described current business conditions as "good", an increase from less than 28 per cent in July. Only 7.4 per cent of consumers expected conditions to deteriorate, down from 8.2 per cent in July. *Stella Burch, Washington*

BB rating for El Salvador

El Salvador has become the first Central American country to be awarded a credit rating by one of the bigger international rating agencies for more than two decades, signalling a possible revival of investor interest in a region wracked by civil war in the 1980s. Standard & Poor's (S&P), the international credit rating agency, has given El Salvador a BB rating on its long-term debt – its second highest non-investment grade rating – with a positive outlook.

It argued: "Broad-based popular support for the economic reform programme, underpinned by the smooth transition to democracy after a 12-year civil war, augurs well for political stability."

This grade in effect restricts the market for any bonds issued by the country to a relatively specialised group of investors. However, it is higher than that enjoyed by a number of other emerging market governments including Argentina and Brazil.

S&P said its decision was influenced by El Salvador's recent record of "prudent fiscal policies" and modest debt levels. The country's public-sector deficits have amounted to an average 3 per cent of GDP since 1992. Its net external debt is estimated at 36 per cent of export earnings, well below levels in other countries in the same BB category. *Richard Lapper, Capital Markets Editor*

Argentine ex-dictator dies

Alejandro Lanusse, dictator of Argentina between 1971 and 1973, died on Monday aged 78. Lanusse took over the leadership of the country after five years of dictatorship. But unlike his two predecessors, Juan Carlos Ongania and Marcelo Levingston, who ruled Argentina with an iron hand, Lanusse steered the country toward democracy.

He allowed Juan Domingo Perón, Argentina's famed populist leader, to return to Argentina after 17 years of forced exile. He stood as a candidate in the general elections in March 1973, but the Peronists, led by Hector Campora and Vicente Solano Lima, returned to power and he never returned to public office. *Reuter, Buenos Aires*

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US bank's choice seen as vote of confidence in Canary Wharf development

Citibank announces new HQ site

By Simon London, Property Correspondent

Citibank of the US has chosen Canary Wharf in London's Docklands district as the site for a planned UK headquarters expected to cost £200m to £300m ($310m to $465m).

The new office block will be the first large building to be built at Canary Wharf since the development went into administration in 1992 against a background of falling rents and property values.

Citibank plans a 500,000 sq ft block which will house about 2,500 corporate banking and capital markets employees. Detailed negotiations with Canary Wharf are expected to be completed by the end of October and the new building should be ready for occupation within three years.

The prospect of renewed construction activity in Docklands underscores the recovery now under way in the central London property market following the slump of the early 1990s.

Property development in the City of London, the traditional home of the UK financial services industry, is already at a five-year high.

The US bank has hired Sir Norman Foster, one of the UK's leading architects, to design the building. Sir Norman is also currently designing a proposed 1,000 ft skyscraper – the tallest in Europe – for a City of London site owned by Kvaerner, the Norwegian group. Citibank's move will be interpreted as a vote of confidence in Canary Wharf following its acquisition last year by a consortium led by Mr Paul Reichmann, the Canadian who masterminded its development in the 1980s.

Only a third of the planned 13m sq ft of office space had been built when Canary Wharf collapsed financially four years ago.

The original masterplan envisaged a number of large blocks to the rear of the present buildings, including two office towers to stand alongside 1 Cabot Square, which is currently the UK's tallest skyscraper.

Canary Wharf generally offers tenants cheaper rents than other parts of central London because land and construction costs are lower.

Transport links with the rest of the capital have improved dramatically since the project went into administration.

Canary Wharf's last big success was in 1994 when it persuaded BZW, the investment banking arm of Barclays Bank, to take nearly 800,000 sq ft of space in Docklands.

Fleeing Iraqis head for big London community

By Roula Khalaf and Jimmy Burns in London

As the hub of Middle Eastern opposition groups and home to the largest Iraqi community in Europe, London is a natural destination for Iraqis seeking to flee from the ruthless regime of Iraqi President Saddam Hussein.

Iraqi exiles said yesterday they believed this was the main reason for the Iraqi hijackers' diversion to Stansted airport – 30 miles north-east of the UK capital – of a Sudanese airliner en route from Khartoum to Amman in Jordan.

The seven hijackers arrested were Iraqi nationals presumed to be seeking asylum in the UK, home to an estimated 30,000 Iraqis. According to the Iraqi National Congress, the London-based opposition group, an Iraqi diplomat based in Khartoum was on board the Sudanese Airbus. It was not known whether he had taken part in the hijacking. Sources in the UK said low-ranking Iraqi military officers who had been training in Sudan were involved.

But Iraqi exiles in London played down the importance of any defections by officials.

On landing at Stansted, the hijackers did not ask to see the Iraqi National Congress but wanted to include in negotiations Mr Saddiq Sada, a former member of the executive committee of the Iraqi Community Association, an Iraqi welfare organisation. Mr Sada is believed to come from the southern town of Basra. This suggests he is a member of the Shia community, the biggest religious group in Iraq but one which has been excluded from top posts in the regime.

The Iraqi Community Association is one of several groups claiming to represent the Iraqi exile and immigrant community. Since January 1992 it has been partly funded with an annual grant of £20,000 ($31,000) from local authorities in London. The association describes itself as "the only organisation... actively working on behalf of all members of the Iraqi community, regardless of sex, religion, ethnic origin or political affiliation".

The defection of diplomats and army officers – if confirmed to be part of the group – should have little bearing on the viability of Mr Saddam's regime.

That some have resorted to hijacking to escape Iraq testifies to the desperation of the Iraqi people. This is probably why, observers suggested, the hijackers were being treated more gently than other terrorists by the UK authorities.

Economically crippled by United Nations sanctions imposed after the 1990-91 Gulf war and oppressed by Mr Saddam's rule, many Iraqis consider that the only promise of a better future lies outside Iraq. An estimated 20 per cent of Iraqis now live in extreme poverty.

Few countries, however, are willing to issue visas for Iraqi nationals, as most are not likely to return home. According to exiles, the only countries which Iraqis can enter without visas are Libya, Sudan and Jordan.

Because there are no international flights out of Baghdad, Iraqis drive to Amman to fly to their destination, and many stay there. But the deterioration in Jordanian-Iraqi relations has led to a tightening up of residency permission for Iraqis. This month, Jordan accused Iraq of fomenting violent protest against bread price rises.

Mrs Emma Nicholson, the Liberal Democrat spokesman on human rights, who chairs the parliamentary committee on Iraq, urged that they be granted asylum. "I hope we give them sanctuary. If we don't they are dead men."

US move may set new hurdle for Lloyd's

By Christopher Parkes in Los Angeles

Lloyd's of London could face more damaging legal confrontations in the US following a change of heart by Mr Dennis Vacco, the influential attorney-general of New York State.

In a letter to US investors in the insurance market, Mr Vacco appeared to prepare the ground for his withdrawal from a landmark settlement, signed in July, under which 38 states agreed to scrap securities fraud suits against the insurance market.

His decision highlighted the mounting unease in the US over the terms offered to 2,700 US Names under Lloyd's £3.2bn ($4.96bn) restructuring plan, due for approval this week. Names are individuals whose assets have traditionally supported the insurance market.

Although no states have yet reneged on the July deal, Colorado is planning an action charging Lloyd's with consumer fraud. In a separate development on Monday, New York state insurance regulators said they were prepared to freeze $12bn of Lloyd's assets held by Citibank if necessary.

"We are in a new ball game," said Mr Kenneth Chiate, a leading official of the American Names Association, which represents 1,000 Names and which has led the campaign against the terms of the Lloyd's recovery plan. He claimed ANA's aim was not to derail Lloyd's recovery plan but to force the market to provide enough details to allow Names to make informed decisions.

Mr Vacco's letter, sent before yesterday's appeal, said: "In the light of... changed circumstances and the prospect of future financial disclosures of Lloyd's, my agreement to the [settlement] proposal may be affected by any new information disclosed."

The settlement was engineered under the leadership of Mr Philip Feigin, Colorado securities commissioner. Although he persuaded Lloyd's to reduce US Names' liabilities by more than 20 per cent in return for dropping the fraud suits, he was later denounced by the ANA, which said he had been hoodwinked.

Barings treasurer fined and barred

By Nicholas Denton in London

Mr Tony Hawes, the Barings executive in charge of funding Mr Nick Leeson's disastrous derivatives trading, has been barred from working in the City of London for three years, the Securities and Futures Authority said yesterday.

Mr Hawes was also fined £10,000 ($15,500).

The UK securities industry regulator, which has been criticised over its disciplinary procedures since the collapse of Barings in February 1995, has now taken action against five former employees of the failed merchant bank.

But the SFA could not find grounds to take action against Mr Peter Baring and Mr Andrew Tuckey, chairman and deputy chairman of Barings group at the time of the bank's collapse.

The SFA is set next week to publish a consultation document which will propose that senior executives in the City of London take explicit responsibility for ensuring, for example, that internal controls are satisfactory.

In yesterday's announcement, the SFA said Mr Hawes, former group treasurer, failed to understand, control and reconcile the provision of money which fuelled Barings' derivatives trading in Singapore.

By the time of the collapse, Barings had provided more than £300m in "top-up" funding for Mr Leeson. The funds, which Mr Hawes believed were being lent to clients, were in fact covering Mr Leeson's losses.

The SFA said Mr Hawes had failed to act with "due skill, care and diligence".

Mr Hawes, who now works as a banking consultant, said: "I accepted things too easily; I should have been much more questioning. But at every stage I did what I thought was correct."

UK NEWS DIGEST

Currency group sues for $1bn

Chequepoint, the currency changing and money transfer group, has filed a suit in a US federal court claiming damages about $1bn for allegedly unfair competitive practices by Barclays Bank and National Westminster Bank of the UK. The suit accuses the two banks of conspiracy in unreasonable restraint of trade and of attempting to monopolise the international money transmission business in New York and Florida. Barclays and NatWest both said they would contest the lawsuit.

Chequepoint is a Brussels-based group which operates 130 bureaux de change and cheque cashing kiosks in 11 countries. The company has also approached the European Commission with its complaints. *George Graham*

■ BROADCASTING

BBC settles row with Saudis

The BBC has quietly settled a bitter row with Orbit Communications over the abrupt closure of the BBC's Arabic television news service for the Middle East in April. It seemed possible at one stage that each side might sue the other for breach of contract.

The BBC has now, it is believed, accepted several million pounds from Orbit consisting of money owed to the corporation and the cost of closing the service with the loss of 100 jobs. Mr Bob Phillis, deputy director general of the BBC, warned on a number of occasions that if there was any editorial interference with the service, funded by Saudi money, the BBC had the right "to pull the plug". Earlier this year the BBC noticed that some news items from London were not being broadcast. The difficulties came to a head in April when the BBC decided to include in the Arabic service an edition of *Panorama* which dealt with the Saudi judicial system. *Raymond Snoddy*

■ PENAL SYSTEM

Prisons chief in emergency talks

Mr Michael Howard, home secretary, yesterday met Mr Richard Tilt, director-general of the Prison Service, over the release of prisoners serving consecutive sentences. Mr Tilt had cut short a holiday to return to Britain.

Last week the Prison Service concluded that it had been miscalculating sentences for 30 years, which meant 4,000 inmates would have to be released early – opening the way for multi-million pound compensation claims.

On Friday, Mr Howard halted the releases, having received advice from a leading lawyer confirming the original interpretation. He blamed the Prison Service for failing to keep him informed, but he conceded that ministers had been aware for some months that there was a potential problem. *David Wighton*

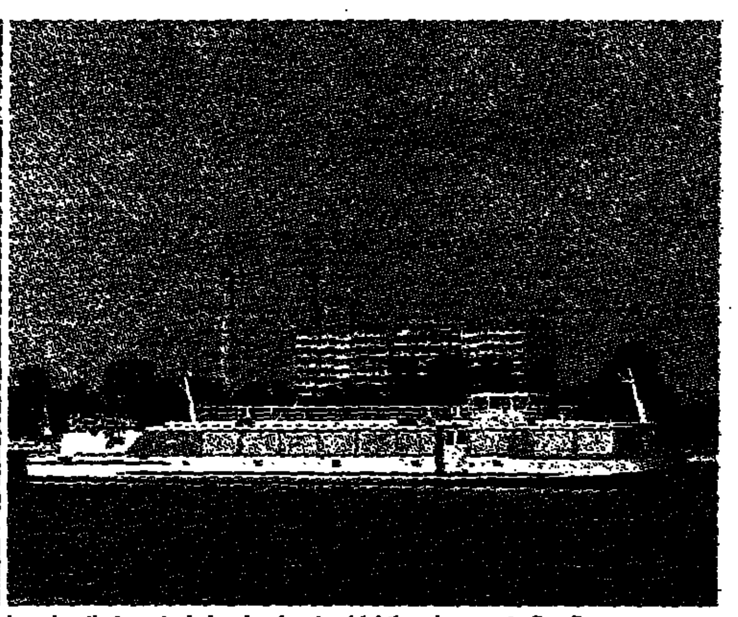
Editorial Comment, Page 11

■ MANUFACTURING

Shimadzu shifts production

Shimadzu of Japan, one of the world's biggest makers of scientific instruments, is shifting some production from its Japanese factories to the UK. Shimadzu's UK subsidiary, Kratos, has annual sales of about £11.5m ($17.82). Some 95 per cent of production is exported. The switch in production should lead to extra sales of up to £1m a year. *Peter Marsh*

BUSINESS AND THE ENVIRONMENT



Closing eastern German brown coal mines (left) has entailed sophisticated engineering that controls levels of water (right) and prevents flooding

From coal to sheep

Judy Dempsey on moves to clean up east Germany's old mines

In the coming weeks, before the autumn chill sets in, teams of chimney sweepers will visit thousands of homes throughout Germany. But it is in the cities and towns of eastern Germany that they will be most active.

In spite of the gradual switch by households from brown coal, also known as lignite, to gas as a source of energy and heating, there is still more than enough work for a profession immediately recognisable by the round white cotton hats, black uniforms and bicycles laden with long spiky brushes.

But outside the cities of Leipzig or Dresden, Potsdam or Cottbus, there is another clean-up under way: the recultivation of eastern Germany's giant brown coal open-cast mines spread over an area of 98,000ha. By the time the work is complete in 2002, the German government, which owns this land, will have spent more than DM16bn (£6.8bn) in transforming what was once a dusty, dark-brown landscape to green leisure parks and artificial lakes.

The decision to embark on this ambitious programme was made in 1992, two years after reunification. The government agreed to keep some of east Germany's brown coal fields operating, largely for political reasons.

Before 1990, more than 150,000 miners worked in the Laubag and Mibrag mines, which straddle the east German states of Brandenburg and Saxony-Anhalt and which supplied more than 65 per cent of their output to industry.

There was concern that if all the mines were closed, the rate of unemployment, currently an average 15.5 per cent in the five eastern states, would rise. In addition, households were still using brown coal. The gradual switch to gas had not yet taken place.

The Laubag and Mibrag mines, which in 1991 had been placed under the control of the Treuhand, the agency charged with privatising east German industry, were sold. A consortium led by Rheinbraun, the brown coal subsidiary of RWE, Germany's largest utility group, bought Laubag. NRG and Morrison Knudsen of the US and Britain's PowerGen bought Mibrag.

Mines not being used by either company were to be included in the government's closure programme and subsequently placed under the control of Lausitzer und Mitteldeutsche Bergbau-Verwaltungsgesellschaft (LMBV), the company responsible for closing, cleaning up and recultivating the brown coal mines.

Closing the mines has entailed more than filling in land. It has required a sophisticated engineering plan specifically designed to prevent the surrounding areas from flooding.

When brown coal is mined, water has to be continuously pumped away to reduce the water levels in the lignite. Once the mining stops, the LMBV has had to find ways to continue to pump the water and drain it into specially constructed lakes. LMBV engineers reckon it will take 50 years for the water to stabilise and find its natural level, one of the reasons why they are so concerned that the current DM1.5bn of expenditure set aside each year for the clean-up will be maintained. "Managing the water is one of the most crucial aspects of our work," says Wolfgang Fritz, manager of LMBV.

Set up in 1995, LMBV has an even wider brief. It has to decide which subsidiaries of the mines are worth saving – for example, whether there is a future for the lignite briquette factories.

The management must also develop a long-term programme for recultivation once the mines have been safely closed. In some of the early stages of the recultivation period, LMBV has sown grass or crops. Depending on the amount of chemical waste deposited in the land-fills among the disused mines closed by the former communist authorities before 1990, as well as the stability of the terrain, some of the land can be fit for sheep-grazing.

LMBV has calculated it that must clean up 38,000ha of land, restore the water balance to 300,000ha which had a water deficit of 14.6bn cu m and decide how 450km of uneven and often dangerous terrain can be recultivated.

Parallel with the clean-up is the federal government's special employment plan which keeps 16,000 former miners in work until the end of the decade through public subsidies at an annual cost of DM140,000 per employee. A further 3,000 are permanently employed by LMBV.

The annual DM1.5bn clean-up and recultivation costs are shared by the federal government and the states, with the former financing three-quarters of the total costs. But as the government embarks on its own cost-cutting programme, which envisages making budget savings of more than DM50bn next year, LMBV is concerned that financing for the temporary employment schemes, as well as the clean-up itself, might be reduced as well.

Fritz says that any financial cut-backs would have long-term damaging effects for the environment, besides adding to the high unemployment levels. The main concern is the water levels. "We just can't afford to have flooding. This is a long-term controlled process where there are few short cuts."

Cutting the cost of a catastrophe

Insurance managers and scientists are combining to study weather risks, says **Emmeline Ledgerwood**

Science and the insurance industry are collaborating to increase their understanding of the risks associated with the catastrophe reinsurance business.

A research programme involving scientists and top reinsurance managers has been set up in Bermuda, home of some 20 per cent of the $6bn (23.8bn) global catastrophe reinsurance market.

"It could not have happened anywhere else," says Tony Michaels, who heads the Risk Prediction Initiative run by the Bermuda Biological Station for Research. His team is studying various areas of climate research to evaluate some of the risks inherent to catastrophe reinsurance.

"Our biggest problem as a catastrophe reinsurer is to find a balance in our portfolio," says Jeremy Hindle, vice-president at Mid-Ocean Re, a leading reinsurance company on the island. "We could be charging the wrong premiums, with completely the wrong exposure. We need to determine the probability of every type of peril we could pay for."

These concerns have been compounded by signs of global warming, which some companies believe will lead to increased catastrophe frequency.

Traditionally, reinsurers calculate the probability of disasters by referring to the frequency of similar events during the past 150 years. But in the past decade, a string of severe catastrophes, beginning with the huge storms in Europe in late 1987 and culminating in Hurricane Andrew which devastated parts of the Caribbean and the southern US in 1992, have caused huge losses.

The RPI team has pointed out that some cycles in the global climate system are longer than the 150-year observation period. One of the programme's main aims is to improve the historical record.

The RPI is funding Kam-biu Liu at Louisiana state university to analyse sediments in coastal ponds. He has detected hurricanes that raged up to 5,000 years ago through tell-tale layers of sand at the bottom of ponds. "It provides a telescope into the past," says Liu. Other clues have been left in tree rings and cave formations. Rain produced by a hurricane is of a slightly different chemical composition and is still detectable after it has been absorbed by trees or stalagmites.

Experts believe global warming will increase the frequency of hurricanes

The RPI's second objective is to develop forecasting tools for the reinsurer. Some established climate prediction models can be adapted to their needs.

For example, models that currently forecast storm intensity and frequency would also predict which hurricanes are going to cause losses by making landfall. "It is totally value-added," says Tony Knap, director of the Bermuda Biological Station.

Existing programmes at the station focus on the ocean/atmosphere system that plays a fundamental role in controlling global climate. Knap jumped at the opportunity to use this expertise in setting up the RPI. "It is a nice wrinkle. We wanted to do something apart from pure science," he says.

Thirteen local reinsurance companies subscribed to the RPI by the time membership was finalised in November 1995. They contribute equally to the $1.3m annual budget.

Hindle at Mid-Ocean Re believes the reinsurance industry could be transformed once the RPI can produce long-term forecasts. Achieving 10-year predictions will make longer-term contracts more viable.

Those skills remain a long way off for the RPI, but there are other benefits to be gained from the immediate short-term forecasts. Storm warnings will give reinsurers the option to access the capital markets to boost reserves or to take out their own form of reinsurance, called retrocession. Some reinsurers also envisage new products; companies may start to offer insurers short-term policies as extra cover if a catastrophe seems imminent.

The participants agree that the data distributed through the RPI will mean they are better prepared for another disaster like Hurricane Andrew. However, says Neill Currie, senior vice-president at Renaissance Re, it is still up to the individual companies to interpret that information. "The bullets are there, and each company has the ability to use the ammunition as it sees fit."

Television/Christopher Dunkley

Spaced out over the weekend

Do you remember the time when no bank holiday weekend was complete without a circus on television? You do not have to be very old to do so, and yet contemporary attitudes towards performing animals (and, perhaps, towards female performers in brief sequinned outfits) ensure that a televised circus is now virtually unthinkable. No industry in Britain is more politically correct, nor more in thrall to feminist dogma, than television, and so, today, bank holiday weekends mean sport and movies and probably a theme night.

This time BBC2 screened *Star Trek Night*, more than five hours of programmes about the dreary, repetitive and portentous American space opera. It was yet another indication of the killer grip that relativism has taken on the windpipe of the body cultural. Not long ago – round about the time when circuses were still permissible – the notion of media studies courses dedicated to *Star Trek* was regarded as ludicrous. But matters have moved so fast, and those who would once have known quality from rubbish without needing to think about it, have become so confused that BBC2 now gives us a whole night of *Star Trek*. Some will say "It is a joke". Others will claim it is just a cynical attempt to boost ratings by attracting the anoraks who attend *Star Trek* weekends. But read the BBC's own hype and the background material put out for the press and you realise how seriously it is taken.

Of course that still leaves three terrestrial networks (and two more nights of BBC2) plus several dozen more channels on the cable, so what else did the holiday weekend offer? Mercifully the BBC still screens some Test cricket and so it was possible to see the game being played without the pink pyjamas or weeping Disney-style ducks decreed by Sky. Of course England was, once again, not merely beaten but given a lesson in how to play the game by Pakistan. However, there was much to delight anyone whose love of cricket outweighs their love of country, and the sheer expertise of the BBC's coverage does quite a lot to reduce the pain of sharing another national drubbing. Moreover, Richie Benaud's outstanding work as a commentator goes some way to make up for the terrible things done to the televised game by his compatriot, Rupert Murdoch.

BBC1 brought us *The Bite*, a two-part filmed thriller about a couple drawn into drug smuggling, which was excellent in several ways. Unlike so many productions of this sort on television, the climaxes were as tense and exciting as you would expect in a Hollywood movie. The acting, especially from the crooks (notably Pamela Rabe as Samira and Keith Allen as Shelley, avoiding a parody of villainy by a hair's breadth) was impressive, especially for a co-production, though happily this was Anglo-Australian rather than a Europudding. And the exotic locations were well used without that awful feeling that the pictures were vital to justify the budget. After Part 1 on Saturday it would have taken someone with a stronger will than mine to miss Part 2 on Sunday. But then within 10 minutes or so the story proper was over, yet it went on for another 80 minutes. Why, when we know so well from the cinema that 100 minutes is ample for almost all dramas, does television so often insist on adding another 80 or so?

Riverdance – The Show on Channel 4 on Sunday was also excessively long. Those who caught a glimpse – well, a couple of minutes perhaps – of that long line of Irish folk dancers during the interval in the *Eurovision Song Contest* a couple of years ago, and were mesmerised by the massed tap routine which brought the house down, were naturally keen to see more. But Sunday's 90-minute programme proved that the song contest had already shown us everything significant. Pogo-ing with your arms by your side is a pretty limited activity, however beautiful your legs, and if we want to see Flamenco dancing we would surely be better off watching Flamenco dancers.

The best programme that I saw over the holiday weekend (and one of the best this year) was the two-part biography of H.G. Wells in BBC2's *Bookmark*. There was nothing flash or fancy here, just bags of research, lots of good interviewees – grandson Martin Wells, illegitimate daughter Anna-Jane, academic John Carey, Rebecca West's biographer Victoria Glendinning, and more – and a strong sense of biographical narrative. Presumably it was producer Sharon Maguire who had the bright idea of not only using Michael Foot as presenter, but getting his wife, Jill Craigie, to chip in repeatedly with doubts about Foot's obvious hero worship.

Craigie championed Wells' wives against his mistresses, contradicted Foot's claim that Wells wrote admiringly about the suffragette movement (he just described the rallies which you could scarcely ignore, she said) pointed derisively to his belief in eugenics, and generally made the point that, whatever his supposed ideals regarding socialism and equality, he behaved pretty badly towards women. And yet, as *Bookmark* made startlingly clear, they lapped it up. There has been a lot of fuss recently about sexually explicit shows on late night television, but it is rare even there to find anything quite as explicit as this programme. Viewers now have a detailed knowledge of the interestingly extensive bedtime predilections of Wells and West, and several examples of his letters telling her in detail what The Jaguar intended doing with his beloved Black Pussy next time they met. Assuming you had not read a recent biography, it could not but affect your view of Wells' writing.

The other essential ingredient of a bank holiday weekend on the box is, of course, old movies of which there were dozens (well, two and a half dozen) available without even resorting to the specialised movie channels. There were the usual holiday specials – *Close Encounters, Indiana Jones, Whatever Happened to Baby Jane* – but also, from Channel 4, two Marilyn Monroe pictures which are essential viewing for any Monroe fan, *Niagara* and *How To Marry A Millionaire*. Better still, from BBC2, were two films adapted from books by H.G.Wells: *The History Of Mr Polly* and *The Time Machine*. Maybe only a few viewers watched all of both as well as the admirable *Bookmark* biography, but the point is that BBC2 made the whole package available. Better than a circus.

Star Trek: beamed up for over five hours

Theatre

Iberians out on a limb

A naked man with his head in an aquarium tank is drenched by a spray from between the thighs of a red PVC bikini-clad woman. He is on a trolley that is pushed across the stage by a woman with shaggy blonde hair about 20 feet long, borne like a train in the mouth of another naked man who crawls after her. They pass a sailing ship going in the other direction.

A tenor belts out something incomprehensible as the door to a large fridge-freezer is repeatedly opened and slammed shut on two naked men in a variety of positions who shriek with surprise each time. A man in red PVC trousers with a large prawn on his back dances on a wardrobe goading the percussionist inside to a fury. A young man flies around on a wire playing the violin and flirts with the evening's protagonist: a player piano that moves across the stage by itself, its little keys bouncing autonomously away. Sometimes a woman in black PVC sits on it and gargles, showing her cleavage. The woman with shag-pile hair reappears. She spends much time in a huge bed flanked by high-heel shoes

EDINBURGH 96

as big as sentry-boxes. A man shouts at her in what fitfully emerges as American English, no more intelligible than the Catalan of the rest of the show. She clucks like a chicken as he stands on his head. Six elderly (Edin)burghers sitting in front of me walk out.

Two men have their crotches stroked by hands that protrude from the wings. They jiggle with one another then do something mercifully hidden from us to the obliging handmaidens.

I sometimes think that Spain's post-Franco moral liberation has gone rather too far. *The Splendid Shame of the Deed Badly Done*, to translate into English (not that anybody does during the hour's traffic of this particularly congested stage) is written, composed, directed and designed by Carles Santos. Suppressing an urge to exhort him to seek a second opinion, one can only admire the wonderful technical skill with which trolleys, wardrobes, deep-freezes, tables and sailing ships, besides the star pianola, whizz to and fro in the King's Theatre.

The company is energetic and patently does not take itself too seriously or imperil the physical well-being of the audience. I have no idea what they are on about but at less than 60 minutes this is no great tragedy. Programme remarks let slip that the shag-pile haired lady has to live horizontally since living vertically would cause her death. Personally, I find the whole thing reminiscent of those parties attended by junior ministers that one reads about in the less cerebral Sunday papers. Just what international arts festivals need more of. Olé!

Martin Hoyle

Tuned in to Salzburg

Gerard Mortier's hope of "democratising" the Salzburg Festival is still hobbled by the ticket-prices. The best seats for operas cost an arm and a leg, which is to say about £270; much less good ones cost from £115 down to £75, and fairly terrible ones about half that – a couple of fingers, say.

To be fair, these alarming figures do not represent operatic inflation so much as the relentless decline of the British pound. Still, you can understand why Salzburgers themselves are a small minority at festival operas. They come into their own at the "Mozart-Matinees", in the beautiful little Mozarteum at weekends, secure in the knowledge that nothing worse than Bartók will be on the programmes. There I heard Leopold Hager, last Saturday morning, conducting the Mozarteum Orchestra in Mozart and Haydn. They delivered the goods with their usual unshowy grace, and in Mozart's F major piano concerto, K.459, Till Fellner was a searching, super-sensitive soloist.

In the same hall that afternoon, Sir Georg Solti arrived with the Vienna Philharmonic. Suddenly the atmosphere was electrified – not so much by Bartók's Divertimento, which was tamed by the Viennese strings' soft-edged *gemütlich* style, but in Solti's thrusting account of Haydn's 104th Symphony and a wonderfully rumbustious Beethoven 2nd.

The evening brought a concert by Christoph von Dohnányi and his Cleveland Orchestra in the Felsenreitschule, the venerable "rocky riding school" carved out of the Mönchsberg cliff-face. (They are on their way to the Edinburgh Festival, for tomorrow night and Friday.) A curious programme: before Brahms' First Symphony – silken, seamless playing, superbly balanced – they gave a more or less perfect performance of Charles Ives' *The Unanswered Question*, enigmatic but transparent, and quite haunting in the vast spaces of the Felsenreitschule; and then the premiere of a 35-minute piano concerto by Marco Stroppa.

Stroppa is 37, and his music was featured in this year's festival as part of Mortier's brave "next generation" mini-series. It was a pity that earlier pieces of his were programmed a two weeks before, as they might have helped us understand the concerto, entitled "A blade of grass" (after Yeats), which is tantalisingly wispy for its considerable length.

It is hyper-delicate and refined, revelling in soft, high, glimmering sounds – string-harmonics, harp, wind-chimes, lots of *pppp*, the solo piano tingling with trills and tremoli. Pierre Laurent Aimard played it with evident tenderness and extreme finesse. One was persuaded that something seriously musical was going on, without any idea of what exactly that might be.

Truth to tell, I feel rather the same way about Beethoven's *Missa Solemnis*. It is great and extraordinarily original music, but also "difficult" just for that reason. On Sunday in the Grosses Festspielhaus, John Eliot Gardiner conducted it with his Monteverdi Choir, his Orchestre Révolutionnaire et Romantique and an ideally matched quartet of solo singers, and I began to have glimmerings of understanding it at last.

One would call it a truly "inspired" performance, if the word did not suggest something much less controlled and calculated than Gardiner gave us. I have heard grander (and louder) accounts of the *Missa*, but none so penetrating nor, indeed, so intensely dramatic. The secret lay partly in Gardiner's grasp of proportions, and the way in which he bent all his performers toward a common, unanimous end. Memorable.

David Murray

The Proms

Elijah and Lulu

Bank holiday weekend at the Royal Albert Hall began with *Lulu* and ended with *Elijah* – a descent into the moral abyss followed by an act of penance and purification. Berg's opera was performed on Friday in a semi-staged version of this summer's Glyndebourne production. On Monday, the 150th anniversary of its premiere, Mendelssohn's oratorio was given by BBC choral and orchestral forces from Wales, with Bryn Terfel in the title role.

The works proved oddly complementary. Berg's music is forward-looking, affords much intellectual pleasure and makes us identify with the damned. Mendelssohn puts us firmly on the side of the righteous in a work of mid-19th century piety which casts a backward glance to the baroque and classical masters. The two performances had one common feature: an excess of English propriety.

That quality seemed more appropriate to *Elijah*, which was written for Birmingham. The work has long been out of favour, and one can see why. Much of it has the character of a narrative hymn from Leipzig, sung in Old Testament English, with nothing too dramatic to characterise the spiritual heights or depths. Even Jezebel has nice music.

Richard Hickox took it at face value: this was a well-behaved performance of a well-behaved work. Mendelssohn's pleasing tunes were unfolded with impeccable smoothness, the big choral numbers distinguished by their cohesion and dynamic control. Everything had been thoughtfully prepared – but it was all rather predictable, leaving the impression of a choral monolith of self-regarding religiosity. Isn't it time someone tried a pared-down version, in a style more attuned to clarifying texture and melodic line?

The performance boasted 10 soloists and a chorus of more than 300 – but the man everyone wanted to hear was Terfel. His Elijah had size, conviction, passionate eloquence and a proper control of operatic temperament.

Lulu was anything but predictable: the Prommers may not have picnicked on the Glyndebourne lawn, but they got a better picture of what *Lulu* is about. Shorn of its monotonous red-brick wall and moralising tone, but retaining its up-to-date costumes and a scattering of props, Graham Vick's production (skilfully adapted by Matthew Richardson) made its point: this story could happen today. Nevertheless, by showing businessmen with mobile phones and good-time girls in fashionable frocks, Vick anaesthetises *Lulu* because its world becomes too normal, too similar to our own.

The advantage of hearing *Lulu* semi-staged was the amount of musical detail it uncovered: the self-effacing bassoon and viola obbligatos in the first scene of Act 2; the amount of piano and percussion in the score; the almost impressionist palette on which Alwa's aria is built. The downside is that the gaps in Berg's inspiration are made plain – especially in the second part of Act 2 and the Paris scene (where Paul Brown's turntable set at Glyndebourne had been especially effective). Is it coincidence that these are exactly the scenes where the Schön-Lulu axis is missing?

The Proms performance was a triumph for Andrew Davis and the London Philharmonic, who made the music sound effortlessly natural. The cast also blossomed in the larger auditorium: I liked Christine Schäfer's Lulu, because she is gamine, coy and sexy, and glides through the acrobatic upper reaches. Wolfgang Schöne's Dr Schön had unmistakable authority. Kathryn Harries, Stephan Drakulich and Patricia Bardon made the most of their parts, and Donald Maxwell's Athlete nearly upstaged them all. Only Norman Bailey's harmlessly buffo Schigolch missed the mark.

Andrew Clark

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

EXHIBITION
Rijksmuseum Tel: 31-20-6732121
● Nederlandse wapens uit Rusland: this exhibition features 17th century Dutch fire arms from the Imperial armoury at the Kremlin in Moscow. The weapons were given to the Russian tsars by the Dutch; to Sep 29

■ BARCELONA

EXHIBITION
Museu Picasso Tel: 34-3-3196310
● Picasso and the Linocut: this exhibition features 66 linocuts from the collection of the Museu Picasso. Between 1954 and 1964 Picasso devoted great attention to the linocut. His merit lies in the innovations that he made in this medium; to Feb 1

■ BERLIN

CONCERT
Konzerthaus Tel: 49-30-203090
● Chong-Un Ensemble: perform arias and songs by Mozart, Brahms and Donizetti; 7.30pm; Sep 1

■ CHICAGO

EXHIBITION
Art Institute of Chicago Tel: 1-312-4433600
● Illustrations by James Ransome and John Steptoe: exhibition of original illustrations by African American artists James Ransome and John Steptoe. Included are Ransome's original artworks for the illustrations in Margaree King Mitchell's book "Uncle Jed's Barbershop" as well as paintings by Steptoe that illustrate his book "Mufaro's Beautiful Daughters"; to Sep 3

■ COLOGNE

CONCERT
Kölner Philharmonie Tel: 49-221-2040820
● Kölner Rundfunk-Sinfonie-Orchester: with conductor Hans Vonk, flautist Dita Krenberga, violinist Leila Josefowicz, cellist Quirine Viersen and pianist Evgeny Sudbin perform works by Berlioz, Ibert, Prokofiev and Stravinsky; 8pm; Aug 30

■ COPENHAGEN

CONCERT
Tivoli Concert Hall Tel: 45-33 15 10 01
● Tivolis Symfoniorkester: with conductor Michael Bendtsen and soloists Nicolai Justesen and Nikolaj Borch perform works by Lumbye, Wagner and Nybye; 7.30pm; Aug 30

EXHIBITION
Statens Museum for Kunst - Royal Museum of Fine Arts Tel: 45-33 91 21 26
● Erik Mortensen. Classic Art: exhibition combining the museum's collection of renaissance, baroque and rococo art with some 120 haute-couture models by the Danish fashion designer Erik Mortensen; to Sep 1

■ EDINBURGH

THEATRE
Edinburgh International Festival Tel: 44-131-2255756
● Curried Goat: performance at Pleasance by this sketch group, featuring Dan Gaster, Will Ing and Ben Silburn, also known as sketch writers for Spitting Image, Saturday Night Live and other shows. Part of the Edinburgh International Festival; 5.40pm; to Aug 31

■ GSTAAD

CONCERT
Menuhinfestival Alpengala Gstaad Tel: 41-30-47173
● Sinfonia Varsovia: with conductor Yehudi Menuhin perform works by Britten, Mozart and Beethoven. Part of the Menuhin Festival; 7.30pm; Aug 31

■ LONDON

CONCERT
Purcell Room Tel: 44-171-9604242
● Klezmer Swingers: with pianist Wallace Fields, double bass-player Murray Salmon and drummer Malcolm Ball perform jewish music; 7.30pm; Sep 1
Royal Albert Hall Tel: 44-171-5898212
● BBC Symphony Orchestra: with conductor Andrew Davis, soprano Joan Rodgers, tenor Bonaventura Bottone, baritone Alan Opie and saxophonist Martin Robertson perform works by Stravinsky and Fauré. Part of the BBC Henry Wood Promenade Concerts (Proms); 7.30pm; Aug 31

EXHIBITION
Tate Gallery Tel: 44-171-8878000
● Leon Kossoff: this exhibition includes 80 paintings by this British artist and follows the development of his work from the 1950s; to Sep 1

■ LOS ANGELES

CONCERT
Hollywood Bowl Tel: 1-213-850-2000
● Los Angeles Philharmonic: with conductor John Williams and baritone Jubilant Sykes perform music by Williams, Copland and others; 8.30pm; Aug 30, 31

■ NEW YORK

EXHIBITION
International Center of Photography Tel: 1-212-860-1777
● In Times of War and Peace: The Photographs of David and Peter Turnley: exhibition of moe than 200 works by David and Peter Turnley, who have photographed every major news event of the past 15 years, including the revolutions in eastern Europe, the uprising in Tiananmen Square, the dismantling of the Berlin Wall, the inauguration of Nelson Mandela, the Gulf war and the Bosnia conflict; to Sep 8
The Metropolitan Museum of Art Tel: 1-212-879-5500
● The Iris and B. Gerald Cantor Roof Garden: a selection of sculptures from the museum's collection. Highlights include Auguste Rodin's The Three Shades and Gaston Lachaise's Standing Woman; to Oct 29

■ PARIS

EXHIBITION
Centre Georges Pompidou Tel: 33-1-44 78 12 33
● Francis Bacon: retrospective exhibition devoted to this English painter (1909-1992). The display features 86 works – 79 paintings and 7 works on paper – from public and private collections, giving an overview of Bacon's artistic career; to Oct 14

■ SALZBURG

CONCERT
Grosses Festspielhaus Tel: 43-662-80450
● Koninklijk Concertgebouworkest: with conductor Riccardo Chailly perform Schoenberg's Variations and Bruckner's Symphony No.5. Part of the Salzburger Festspiele; 9pm; Aug 30

■ TURIN

CONCERT
Settembre Musica, Assessorato per la Cultura Tel: 39-11-576 5564
● Bang-on-a-Can All Stars: perform works by David Lang, Julia Wolfe, Steve Reich, Frederic Rzewski, Martin Bresnick, Evan Ziporyn and Steve Martland. Performance at the Piccolo Regio Giacomo Puccini, as part of the Settembre Musica festival; 5pm; Sep 2
● New York Philharmonic: with conductor Kurt Masur perform Tchaikovsky's Symphony No.5 and excerpts from Prokofiev's Romeo and Juliet. Performance at the Auditorium Giovanni Agnelli del Lingotto; 9pm; Sep 1

■ VENICE

FESTIVAL
La Biennale di Venezia – Settore Cinema e Spettacolo Televisio Tel: 39-41-5218711
● Venice International Film Festival: the world's oldest film festival, this year for the last time under the direction of Gillo Pontecorvo. Highlights include the world premieres of new films by Jean-Luc Godard, Volker Schlöndorff, Jane Campion and Ken Loach; from Aug 28 to Sep 7

Listing compiled and supplied by ArtBase The International Arts Database, Amsterdam, The Netherlands.
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WORLD SERVICE

BBC for Europe can be received in western Europe on medium wave 648 kHZ (463m)

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(Central European Time)

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FT Business Morning

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17.30
Financial Times Business Tonight

CNBC:

08.30
Squawk Box

10.00
European Money Wheel

18.00
Financial Times Business Tonight

COMMENT & ANALYSIS

The Spanish body count

ON THE BEATEN TRACK

David White on Torremolinos, which measures its visitors by the amount of garbage they produce

The high-prowed fishing boats are hauled up on the quiet beach. From the old castle on the rocky bluff, tropical gardens reach down towards the sea. In the moonlight, wooded hills loom soft and dark in the background behind the discreet hotels, half-hidden among the palms. Bougainvillaea spills over the cliff.

Only joking. Any boats have to find space between grid-formations of beach umbrellas and plastic sun loungers. The castle, once an English-owned residence, later a solitary hotel, has been replaced by a big square block of flats. The outlook up and down the coast is solid buildings, up to 16 storeys high.

This is Torremolinos, home to Bei Hans and Barry's English Pub, Pat Murphy's and Ye Olde Wool Sack. It is also August. By mid-morning on the beach the bodies go on for ever until they disappear in the heat-haze. From the mix of tanning oils and creams there wafts a pervading, slightly nauseating, fragrance of coconut oil.

"This was the first place to get ruined," says Mr Antonio Crusat, a hotel manager. "In the tourism business, you can have a few who pay a lot, or a lot who pay a little."

The pioneer among the Costa del Sol's resorts, Torremolinos is the most typical and cosmopolitan. You hear not just English but French, Italian and Portuguese. There are German, Dutch and Finnish bars. At last count it had 78 hotels and boarding-houses – 14 with 500-plus beds. From the waterfront the hilly setting can be appreciated only in glimpses. It seems to have been spirited away by the builders.

A five-minute drive from Málaga airport, this one-time neglected village has been transformed beyond recognition since the first package tour came to Spain 40 years ago. Before then, guidebooks barely bothered to mention it, even less the undistinguished place called Marbella down the coast. In the early days it was favoured by Bohemians, drop-outs, one or two ex-Nazis and – already – British full-time drinkers. When the first big hotel, the Pez Espada, went up in 1959 – then rated *grand luxe* – there were still donkeys in the streets and shanty-dwellers taking buckets of slops down to the sea.

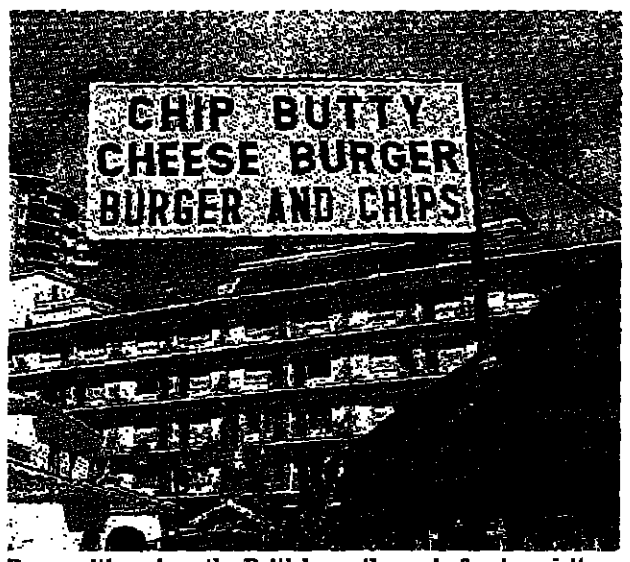
Torremolinos packs 40 per cent of the Costa del Sol's accommodation capacity into its relatively cramped 20 sq km. Seventy per cent of the land has been built on. Besides the hotels, there are 50 blocks of holiday apartments on the official register, and others that are not. People who have known the town for years can lose their way. Parking is difficult.

Mr Frank Hall, now retired here with his wife Glena, first came to the area in 1950 as British vice-consul in Málaga. He had arrived from the Middle East. "When I got here and looked around I realised that poverty was at Middle Eastern standards," he says.

Once a fortnight he would drive the "beautiful" 130km to Gibraltar to fetch the diplomatic bag and navy rations. Today that coast, to beyond Estepona, is a single conurbation, with no clear division between one place and the next. "We never expected it to go as it did." "Nobody realised it would be a thing of the masses." He describes the vertiginous growth of the 1960s as "a window opening in the Spain of that time". For a while Torremolinos drew film stars and royalty – Sean Connery in his James Bond days, the Duke and Duchess of Windsor. But they took their golf bags down the coast to the costa's glitzy, socialite Marbella which is at the top end of the costa's market.

According to the mayor, whose family used to farm in the area, the town now depends 99 per cent on tourism. There are remnants of what it used to be – the watermills which gave it its name, the villa designed by a cousin of Pablo Picasso for a flamenco dancer, now a hotel. But you have to search for them. Charm is not the word.

But Torremolinos must have some secret, because it is packed to the last room. The population, which was recorded as 3,000 75 years ago, officially stands at 35,000. But there are reckoned to be between 90,000 and 100,000 here at any one time in winter and between 200,000 and 250,000 in August. They measure the numbers by the output of garbage.



Room with a view: the British are the main foreign visitors

The Costa del Sol last year accommodated 1.9m hotel guests, spending almost 10m nights, a 30 per cent increase compared with five years earlier. Hotel occupancy year-round was more than 72 per cent. In August, according to regional government statistics, it was 100 per cent.

Torremolinos was built on trade from the UK. The first British pub, the Galloping Major, opened in 1964, and Britons are still the main foreign contingent. But their dominance has become diluted by tourists from the rest of western Europe, especially in high season.

It is also popular with the Spanish. Either it does not have the same down-market image for them, or they are less worried about it. They have taken Torremolinos back for themselves. Beans on toast are not obligatory.

It was difficult to imagine how tourism would take over, says Mr Pedro Fernández, the town's mayor. Indeed, the town is even gaining a reputation for its fish restaurants.

It is not as bad as it was. Since winning its administrative independence from Málaga in 1988, Torremolinos has had its own money to spend and has become less scruffy. The mayor says it is not exactly trying for a new image, but aims to improve facilities. This year it has planted 3,000 trees. No more buildings are allowed with more than seven floors – although there is no plan to demolish any of the existing blocks.

A UK tour manager says Torremolinos's efforts do not look like reversing a growing preference for the trendier and more modern resorts further along the coast. "If they don't do something about it now or in the near future," she warns, "they will lose out altogether".

This is the sixth in a series on places changed by mass tourism

LETTERS TO THE EDITOR

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The enormous costs involved in changing UK telephone numbers

From Sir Bryan Carsberg.

Sir, Lord Howe recollects (Letters, August 8) correctly that he wrote to me some years ago asking why Britain could not manage with fewer telephone numbers given the more parsimonious use that is seen in North America and France. I am sorry that he found my answer unconvincing.

Telephone numbers are addresses which have to be recognised by the network. They are also linked to instructions for routing calls through the network. Decisions about numbering schemes need to take account of the balance between transmission costs and switching costs and also customer convenience factors such as ease of use, recognisability, and so on.

The balance of these factors can change over time with changing technology. Simple arithmetic shows that the UK could manage with fewer numbers than it actually uses.

Probably, we would manage with fewer if we were starting from scratch today. However, the point I tried to explain to Lord Howe when he wrote to me originally is that change has an enormous cost.

If the UK were to change to a system like that used in the United States, a huge number of people would have to change their telephone numbers – many more than under the changes that have been made or are currently planned. The cost would have been enormous.

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Sony's masterly retail skills

From Mr Michael Poynor.

Sir, In the article about Sony's move into personal computers ("Sony's defence of the living room", August 26) Michiyo Nakamoto foresees a problem in Sony not being "used to dealing with the kinds of customer enquiries and demands that are part of life in the computer world".

This may well be the case for business-to-business transactions, but in retail, where computer sales are showing their fastest rate of growth, it could be a very different story.

Sony is a clear market leader, not only in its core product areas, but also through its skills in communicating with consumers, facilitating their purchase decisions and serving their after-sales needs.

The real problem for many established PC distributors is that it is they who have yet to become used to dealing with the kinds of queries and demands that are a part of life in the retailing of audio-visual products.

Sony might well have some PC product lessons to learn but as a supplier to the retail industry it is more the master than the pupil.

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Politics and management gimmicks

From Mr Erik K. Sites.

Sir, Each Monday morning, I brace myself for Lucy Kellaway's counter-intuitive commentary on every conceivable facet of management.

Her post-modern approach is provocative and evocative but never cynical. Her recent article on the extremes of consulting ("A gimmick that's a worthwhile tool", August 26) is a good example.

As a consultant myself (I feel almost guilty saying so), I have always been wary of management gimmicks or quick-fixes.

The weight of any corporation's history and staffing – not to mention the market environment in which the product sells – make it difficult if not often presumptuous for a consultant to be effective as a final arbiter. So, why not help companies help themselves? This might sound simple but it is not simplistic.

When I talk to managers, I am impressed with their inherent (albeit often untapped) brainpower and expertise. As Ms Kellaway hints at in her comments about the "glass ceiling" everything is politics and perception.

Business is politics. If you thought it was just profits, guess again! And maintaining the right political mix is the challenge.

Gimmicks are necessary, but not sufficient. Even consultants have to push their own agenda in the client's corporate political arena.

If we do not address the political issue, no amount of benchmarking, TQM or re-engineering will help.

Most consulting should be designed to get managers to recognise political problems so that the company can set about solving the real issues and making that profit.

Help them peel back the banana – a sorry metaphor, I know – but then leave. Unless companies are willing to engage in this type of solution-seeking from within, no amount of second-guessing from the periphery will help.

Maybe this advice is a gimmick, too. Yes, Ms Kellaway, I do feel somewhat silly at times putting a price on common sense. Have you had the same feeling?

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US model can shed light on a united Europe

From Mr Henry Owen.

In his column ("Resist the melting pot", August 16), Mr Michael Stürmer points out the cultural and other differences that exist among Europeans, and that distinguish Europe from the US – thus making a Jean Monnet-type European state impossible. Implicit in this view is a misunderstanding of American politics and culture.

Having lived in America and Europe, I can testify that the differences between Americans in California, Texas, Ohio, Alabama and New York are at least as great as those among Europeans living in France, Germany, Belgium, Holland and Italy.

These differences do not prevent Americans from functioning as a single national community. Why? Because we deliberately keep our central government weak. The founding fathers wanted it that way and wrote the constitution accordingly. The Supreme Court has helped to maintain these limitations. Most issues in the US are settled not by Washington but by the workings of our vast national free market or by the political processes of individual states.

Might not this be the way things will work out in a European Union?

US experience can shed light on prospects for a united Europe, but only if it is understood. Our national motto, "e pluribus unum" better describes that experience than the popular phrase "melting pot".

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Alice Rawsthorn on the business consequences of a sore throat

When an Oasis dries up

Liam Gallagher, the unrelentingly laddish lead singer of the rock group, Oasis, has been cast as the tabloids' favourite anti-hero since his band shot to fame two years ago.

In the past few days his notoriety has reached new heights. When Liam pulled out of a performance at the last minute after being diagnosed as having laryngitis. He also refused to accompany the band on its US tour, claiming that he needed to stay in London to rest his voice and to find a new home with his girlfriend, the actress Patsy Kensit.

The fate of Liam's vocal cords has important implications for the international music industry, since his voice has played a pivotal part in establishing Oasis as the UK's best-selling rock group and one of the most promising acts in the $40bn (£26bn) global music market.

A few years ago the five members of Oasis – without a GCSE pass among them – were grateful to be booked for a gig at the Jug Of Ale, an unsalubrious Birmingham pub. In the past two years they have sold 15m copies of their albums, 1994's *Definitely Maybe* and 1995's *Morning Glory*, and at least 5m singles, generating global retail sales of about $250m.

Earlier this month, Oasis sold 250,000 tickets at £22.50 each for two concerts at Knebworth in Hertfordshire. The band seemed set to join the handful of global supergroups, such as R.E.M. and U2, which enjoy a happy combination of critical acclaim *and* commercial success.

Supergroups are the most valuable assets of the multinational companies that dominate the music industry. The favourable reviews which greet each new album trigger sales of previous releases, and their appeal lasts longer than that of teen idols, whose fortunes falter as their looks fade and their fans grow up.


Sound move: Liam Gallagher, singer with perfect pitch

This weekend Warner Music, part of Time Warner, the US entertainment conglomerate, signed a new deal worth up to $80m with R.E.M., in order to hold on to the band, which sold 9m copies of each of its last two albums, for another five albums. Oasis is clearly regarded as being of the same commercial calibre as R.E.M. by its record company, Sony Music, a division of the Japanese electronics group.

Sony acquired Oasis by accident in 1993 when the band signed to Creation Records, an independent UK label in which Sony UK had a 49 per cent stake and automatic rights to distribute its acts outside the UK. When *Definitely Maybe* was a hit, it was difficult for Sony to distinguish between Oasis and other budding Britpop acts, such as Pulp, Blur, Cast and Radiohead. But sales of *Morning Glory* were so strong both in the US and UK, that Oasis leapt into the supergroup category.

When Sony's initial agreement with Creation ended this spring, it began talks with Alan McGee and Dick Green, the label's co-founders, to acquire the remaining 51 per cent. They threatened to resign if Sony took control as it was entitled to do under the original deal. Anxious not to imperil its relations with Oasis, Sony agreed to pay the two Creation directors £12m cash to extend the 49 per cent agreement for five years.

Sony hopes to recoup its investment when Oasis's third album is released in 1997. The band's US tour, which started last night at a concert in Chicago, is part of a promotional schedule intended to sustain sales of the first two albums and keep Oasis in the public eye until the third comes out.

It is not unusual for pop singers to have vocal problems. Rod Stewart has been plagued by them throughout his career and has occasionally had to cancel concerts. Similarly, the Rolling Stones rescheduled some dates during a 1990 tour when Keith Richards, the lead guitarist, cut his finger. But Oasis will go on stage without the ailing Liam: his elder brother, Noel, will sing lead vocals in addition to his usual duties of playing lead guitar, writing the music and co-producing the records.

It is Noel's gift for composing songs that people enjoy singing along to in the suburbs of New Jersey and Yokohama, but still yield rave reviews from cynical *New Musical Express* critics, that is the foundation of Oasis's success. Yet his compositions never sound better than when sung by Liam whose voice combines perfect pitch with a punkish snarl.

The Gallaghers' musical talent is enhanced by the *frisson* of their fraternal rivalry, like that of Ray and Dave Davies of The Kinks, and by an apparently endless appetite for rock star excess. "They're hard-drinking, groupie-shagging, drug-snorting louts," ran the headline in a recent *Rolling Stone* magazine cover story. "They're the Gallagher brothers. And they're huge."

If, as the tabloids have hinted, Liam's laryngitis is a prelude to quitting Oasis, the band could go on without him, either with Noel, or a new singer, on lead vocals. But few groups survive the loss of stars. Pink Floyd flourished commercially, if not critically, without Syd Barrett; but the Stone Roses, once billed as another possible supergroup, has floundered since this spring's departure of guitarist, John Squire.

Liam Gallagher would be an even tougher act for Oasis to follow, not only because of his voice but because, as his elder brother pointed out this weekend, without him all that remains are "the four ugly ones".

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FINANCIAL TIMES

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Wednesday August 28 1996

Subsidies in Germany

Yesterday's hint by the German cabinet that it wants to de-escalate its confrontation with the European Commission over state aid to Volkswagen is a welcome move in a dispute which has been in serious danger of running out of control. But Bonn needs to move much further if a settlement is to be found which respects the principles of fair competition in the European Union and Brussels's right to enforce them.

The row turns on the decision by the eastern German state of Saxony to offer VW DM780m (£339m) in subsidies to develop two vehicle plants. The Commission has blocked payment of DM241m of the package, which it says violates EU state aids rules. Last month, Saxony paid DM91m of the disputed sum in defiance of the ban, which the state government is challenging in the European Court. Bonn is considering bringing a similar case, but yesterday deferred a decision in the apparent hope of negotiating a compromise.

Germany insists the aid is legal, arguing that EU laws entitle it to give exceptionally generous subsidies to eastern Länder. Brussels has until recently shown itself sensitive to the economic demands of reunification, by treating such aids relatively leniently. However, its vigorous objections to the support for VW appear to reflect its growing concern that Germany's largesse towards the east is exceeding economically reasonable bounds.

Troubling issue

The Commission is right to be worried. Federal tax breaks and subsidies to the eastern Länder are officially forecast to total more than DM15bn this year, or DM1,000 for each inhabitant. This is a huge sum, even allowing for the region's economic and industrial backwardness. There are also questions about whether the money is being properly spent. These were highlighted by the recent revelation that Bremer Vulkan, the bankrupt shipbuilder, used subsidies intended for the east to prop up yards in the west.

The most troubling issue is the use of subsidies to encourage production for international markets – above all in sectors already burdened with excess capacity. Doubts are particularly acute in the case of VW's plants, which the company says would not have gone ahead without the promised aid. Projects so heavily dependent on state support threaten to distort markets, discriminate against other EU producers and increase pressure on other governments to come up with matching subsidies.

The risk for the German government is that in its eagerness to subsidise investment in eastern Länder, it will repeat Italy's attempts to establish heavy industries in the *Mezzogiorno* at vast cost in the 1960s and 1970s.

Problem exacerbated

In Germany's case, the problem has been greatly exacerbated by the explicit goal of raising living standards in the east to western levels. Judged narrowly, that policy has been remarkably effective – but at a crippling price. Much of the east's prosperity is due to large transfers from the west, while wages are far above those in central Europe. Radically to cut transfers could bring the eastern German economy to its knees. But while they continue artificially to inflate living standards and costs, productive investment will remain hard to attract on competitive terms.

Bonn is largely responsible for creating this dilemma. It should also take responsibility for finding solutions. These will not be easy. Trying to export the problem by resorting to excessive industrial subsidies at EU partners' expense is no answer. That would undermine the single market – of which Bonn claims to be a fervent proponent – and conflict with Germany's commitment to promoting further political and economic integration of the EU. German authorities need to exercise more rigorous fiscal self-discipline. If they fail to do so voluntarily, Brussels should remain ready to crack the whip.

Responsibility for prisons

Yet again, a dubious episode involving the UK's prison service has raised the issue of the relationship between ministers and the new breed of executive agencies. The latest episode is last week's early release of prisoners because of a re-interpretation by the prison service of calculations for those serving consecutive sentences. This decision was rapidly reversed by Mr Michael Howard, the home secretary, but only after 80 or so prisoners had been released.

There are a number of unsatisfactory aspects to this episode. If the prison service's re-interpretation – based on legal advice from home office lawyers – was correct, then those 80 prisoners were correctly released, and hundreds more are being improperly held. If Mr Howard's restoration of the status quo is correct – as a commonsense reading of the law suggests – then 80 prisoners have been set free too soon.

That would be troubling enough. But it is only the latest of a series of fumbles between ministers and executive agencies. The prison service has proved the agency most vulnerable to such problems, but it is by no means the only one: last weekend, for example, Liberal Democrat MPs called for the resignation of the head of the Benefits Agency because of an alleged contradiction between a leaked letter from the agency and answers given to parliament by ministers.

The problem is usually cast in terms of the dividing line between the "operational" matters for which agencies are responsible and the "policy" matters which fall to ministers. Some critics of the agency system believe that no clear distinction can be drawn; others that ministers abuse the division by classifying all blunders as operational failures, and all successes as triumphs of policy.

Coercive power

Both sets of critics have a point. It is most telling in those areas, such as the penal system, which involve the coercive power of the state. As has been argued before in these columns, there is a strong case for returning the prison service to the direct control of the home office, since so many issues affecting the conditions of prison life mingle both operational detail and high policy.

Greater efficiency

But it would be wrong to rush on to a rejection of the agency system in general. It has already proved its worth by bringing greater efficiency and transparency to the operations of government. Even in the prison service, it has led to practical reforms and improved conditions. And the problems that have arisen after the introduction of agency status often owe their origins to decades of poor administration. The only difference is that such problems are now more visible, instead of being hidden behind Whitehall's chronic lack of accountability.

The problems of blurred responsibility that arise in practice are issues to be resolved by fine-tuning, not by a wholesale rejection of the agency system. In particular, agency heads must regard it as part of their duties to alert ministers to politically significant developments in time for them to react as guardians of the public interest. To the extent that clear, early warning was not given in the most recent case, the management of the prison service must be held responsible.

At the same time, ministers must resist the temptation to wash their hands of all difficult problems by classifying them as "operational". The history of Mr Howard's relationship with the prison service suggests that he has not always avoided that temptation in the past.

Hard cases make bad law. The prison service, with its coercive role and legacy of governmental neglect, is a particularly hard case. But the problems it raises should not be allowed to obscure the gains of the agency system. By highlighting the issue of responsibility, the new system is a step towards accountable government, rather than away from it.

Bosnia's web of protection

The complex election process is being supervised by a tangled network of international bodies, says Edward Mortimer

Things are certainly much better in Bosnia in August 1996 than when I last went there in April 1994. Then, the journey from Mostar to Sarajevo took three days, including one spent trying to get on a United Nations relief flight at Split. When that failed, I had to fly to Zagreb, get a Croatian taxi through Hungary to the Serbian border, another to meet me there and take me to Belgrade, and a third through the Serb-held part of Bosnia to the outskirts of Sarajevo, where I hitched lifts in a series of UN vehicles to reach the city centre.

Once there, I found myself marooned by a Serb blockade, imposed in retaliation for the first Nato air strikes on Serb forces besieging Gorazde. The Holiday Inn, where the international press corps was holed up, was a bleak and gloomy place, badly damaged by shells, with only intermittent electricity and running water. The streets were almost empty, as any pedestrian or unarmoured vehicle could be a target for snipers. Needless to say, conditions for Sarajevo's resident population were far worse: and even they were safer and better-fed than people in many other parts of the country.

Now, Mostar is an easy day trip from Sarajevo by road, the worst hazard being a 15-minute wait where a broken bridge has to be circumvented by a one-way dirt track running up into a side valley. Similar conditions prevail throughout the country.

Freedom of movement prevails for foreign visitors, and notionally for Bosnians. But it is not considered wise to cross the "inter-entity boundary line" with a local number plate. Bosnian or Croatian plates would be an almost certain target for violence if spotted in "Republika Srpska", the Bosnian Serbian "entity". And no one driving with Serb or Yugoslav plates would feel really safe on the territory of the Moslem-Croat Federation.

Sarajevo itself bustles with life and traffic. The Holiday Inn has been repaired. One can breakfast on the balcony, or saunter into town for an evening meal – pleasures only dreamed of in 1994. Moreover the hotel is full, and journalists are only a small part of the clientele. Muscular young Americans, here to "equip and train" the Bosnian army, rub shoulders – or compete for rooms – with Nobel prizewinners attending a Unesco-sponsored conference organised jointly by the Bosnian and Croatian Academies of Sciences.

The spending power of expatriate do-gooders is clearly the locomotive of economic recovery. Every building in the town centre seems to house one or more of the organisations – governmental, inter-governmental, non-governmental – which have rushed to join in the great enterprise of rebuilding Bosnia. Their tasks range from organising next month's elections to painting the walls of orphanages.

Several are engaged mainly in criticising each other's work, or squabbling viciously over who does what. Bosnians themselves react with a mixture of gratitude, bewilderment, and cynical calculation of how best to exploit these squabbles to further their own private or party interests.

Bosnia is still legally a sovereign state with its own government. Under the Dayton peace agreement, however, that state is being remodelled under a kind of international protectorate, and the elections to be held on September 14 constitute a crucial stage in the remodelling.

Formally, Bosnians are going to elect the authorities of the two "entities" with a light structure of national government sitting awkwardly on top. Things are further complicated by the fact that one of the entities is itself a federation, run by an authority in which Moslems and Croats will have carefully weighted shares of power. However, much of the role of government will be devolved to ethnically weighted "cantons".

That is in theory. In practice the federation, proclaimed in 1994 as part of an agreement to end Moslem-Croat fighting, does not yet exist, and many doubt if it ever will. At best the Moslems and Croats form an uneasy alliance against the Serbs. In areas of Croat predominance – mainly in the west, but including the Orasje pocket in the north – the Bosnian fleur-de-lys flag is nowhere to be seen.

Instead one sees everywhere the chequered shield of the puppet Croat state of Herceg-Bosna, even on police uniforms. It is also behind the desk of Mr Ivan Prskalo, the new mayor of Mostar – a city theoretically united under EU administration but in practice split between Croat west and Moslem east. Mr Prskalo, an ostensibly non-political Croat who formerly ran a public utility company, was unanimously chosen earlier this month – after protracted negotiations – by the new city council.

Sir Martin Garrod, the EU special envoy in Mostar, is pledged to "get rid of the climate of fear and intimidation which exists in Mostar today" before handing over to the city council on December 31. But his chances of succeeding seem slender.

Apart from getting policemen from the two sides to ride around together on joint patrols, the Western European Union police unit has hardly begun the task of reunifying the city police force. On the Croat side, at any rate, there is little doubt that both the police and the ruling party – a branch of President Franjo Tudjman's Croatian Democratic Union – are deeply involved in intimidation and violence, especially against those few Moslems or Serbs who venture into the west of the city.

Under the latest of innumerable agreements extracted by international pressure from Mr Tudjman and his Bosnian counterpart, Mr Alija Izetbegovic, Herceg-Bosna is supposed to dissolve itself by the end of this week. At the same time, the Bosnian government is to hand over some of its powers to the federation.

There is little sign of either of these happening, but last week the HDZ and Mr Izetbegovic's Party of Democratic Action also reached a "gentlemen's agreement" guaranteeing freedom of expression and association – tacitly admitting the lack of such freedom in their territories.

On the Bosnian Serb side things are simpler, since the Serb Democratic party has control of the whole territory. It seems, if anything, to have been strengthened rather than weakened by the forced abdication of Mr Radovan Karadzic, its former leader who has been indicted for alleged war crimes. The Serbs do not have to bother with cantons, and will elect their president directly – almost certainly Mrs Biljana Plavsic, Mr Karadzic's fervent admirer and designated heir.

The elections are being run by the Organisation for Security and Co-operation in Europe, whose head of mission, Mr Robert Frowick, yesterday announced the postponement of local elections, due to be held on the same day, because the Serbian authorities abused the registration system to ensure Serb majorities in formerly Moslem towns.

The organisation has established offices in all parts of Bosnia and will employ hundreds of expatriate election supervisors. They in turn will be observed by hundreds of monitors, some reporting to their national governments, some to the organisation's chairman, who is Mr Flavio Cotti, the Swiss foreign minister.

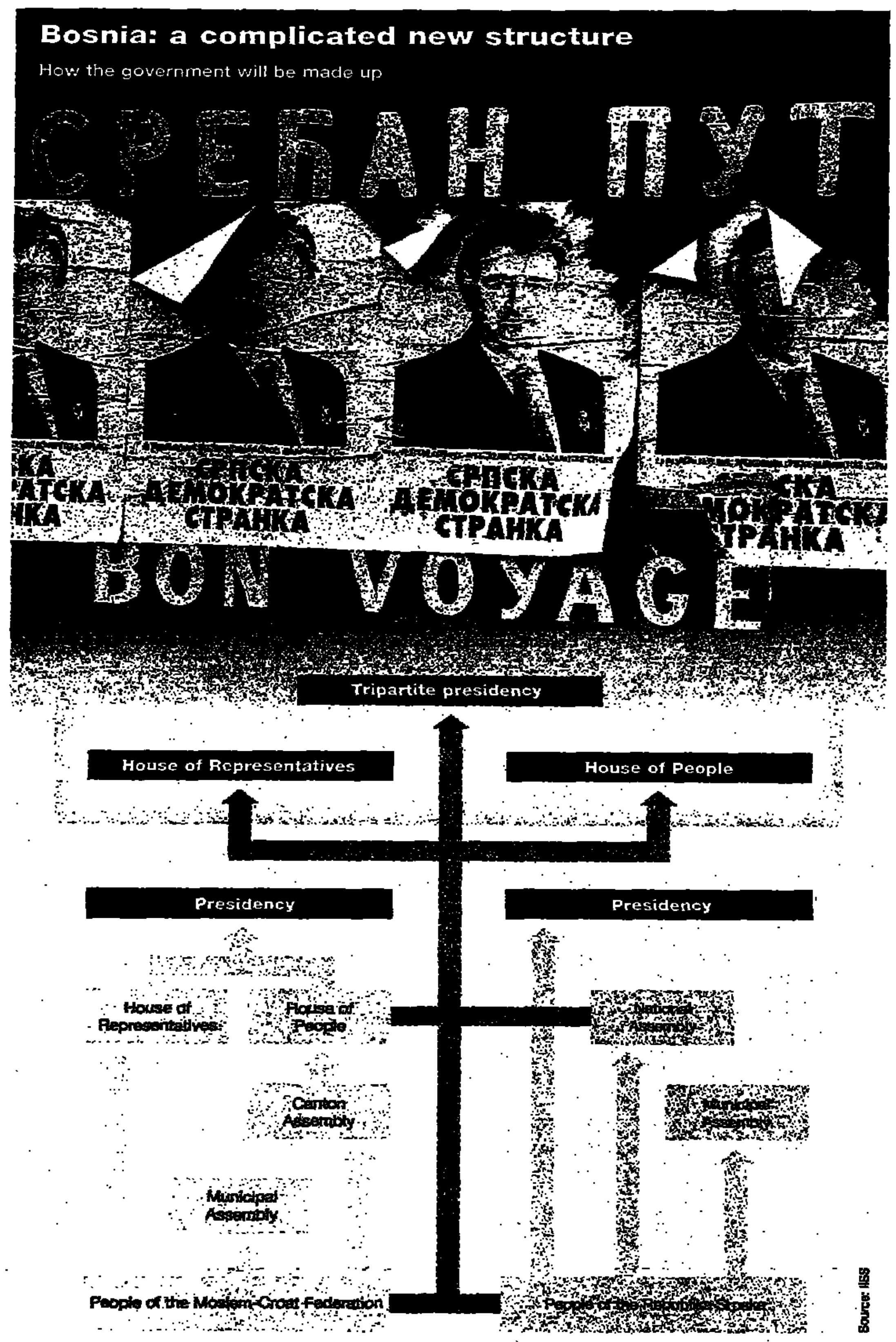
Ifor, the Nato-led implementation force, is increasing its visibility as election day approaches, in the hope of providing greater security. But Ifor's commanders remind all-comers that they are not responsible for public order.

That is down to the local police, with the notional assistance of the small UN international police taskforce. This force is very obliging in giving lifts to journalists but can do little to ensure genuine freedom of movement for Bosnians, or to protect them when the local police is, for ethnic or other reasons, unsympathetic.

Thus there is a real danger that Ifor will find itself watching idly, from heavily armoured vehicles, while voters are attacked with impunity. Some OSCE officers believe this danger could have been avoided by closing the border between the two entities and setting up special polling stations to allow people who have not applied for absentee ballots to vote in their original home constituencies without going there.

But this suggestion was firmly stamped on by Mr Carl Bildt who is charged with overall co-ordination of the civilian side of the Dayton agreement. To deny displaced Bosnians the right to vote in their original homes would be too flagrant an admission that the international community has failed to ensure freedom of movement.

Things may be better than they were in 1994 but, no matter how or where people vote, Bosnia will not return to the rich ethnic mosaic it was before 1992.



· O B S E R V E R ·

Read all about it

■ Wall Street dealers searching for intelligence regarding the Federal Reserve's current state of thinking will be disappointed by the latest publication from the Federal Reserve Bank of New York. But then *The Story of Monetary Policy*, out today, is not aimed at them.

In a series that started in the late 1950s, and includes such marvellously dated sounding numbers as *A Penny Saved*, explaining the virtues of thrift for the individual and the economy, the New York Fed tries to explain some of the basic principles of banking and the economy to high school and college kids – via cartoons.

The latest publication errs on the informative side of rib-tickling – its authority only fleetingly questioned by the alarmingly fresh-faced Fed governor pictured setting out on his 14-year-term. Nor is it likely to fuel any inflationary tendencies in the economy, priced as it is at 25 cents each, after the initial 35 copies which are free.

Observer's only real reservation is the coda to this tale. In common with several fine novelists, it would seem that the author of *The Story of Monetary Policy* was stuck for a good ending. "Making monetary policy is a complicated job, but it's a job that's necessary to order for our economy to enjoy good growth along with stable prices". Must try harder?

Tiger's teeth

■ How very noble of Japan's foreign ministry to foot the bill to ferry delegates from 46 countries and a clutch of United Nations agencies all the way to Tokyo this week for a discussion about how Africa can catch up with East Asia and become the "tiger economy" of the 21st century.

The big guns had been rolled out. Hisashi Owada, father of Crown Princess Masako and Japan's ambassador to the UN, chaired yesterday's meeting. After a day's jolly in Kyoto, the diplomats return to meet foreign minister Yukihiko Ikeda.

None of the delegates are actually based in Africa, mark you, but tend to be the permanent UN representatives of those countries – and of other places such as Indonesia, Cambodia, Laos and Malta.

No connection surely, with the fact that Japan is competing next month with India for one of Asia's seats on the UN security council? The votes of those gathered in Tokyo would certainly see it safely in the chair – and India was notably absent from the party.

Only trouble was that no one in the foreign ministry had thought to put an African representative on the list of keynote speakers. At the eleventh hour Cameroon's ambassador to the UN, Paul Bamela, took it upon himself to step up to the table. "Africa is not poor because of a lack of development agenda," he thundered. "In fact we suffer from inflation of development agenda, each day brings a new contribution." He also took the opportunity to chide his hosts for failing to think of appointing an African speaker. The lobbying's obviously not over yet.

Grubbing around

■ After lying low for the past few years, Quebec's language police are again on the prowl for naughty merchants disobeying la belle province's French-first language law. Their target this time – kosher food. Although Montreal's Jewish community is overwhelmingly English-speaking, the Office de la Langue Française disapproves of New York imported kosher food lacking French labels.

This is passionate stuff; several stores were forced to remove offending products from their shelves last Passover. Jewish groups threatened to assert their human rights in court. An uneasy truce has now been reached. The authorities will grant an exemption from the law, but only for 40 days before and 20 days after Passover. Neither side is happy. The Canadian Jewish Congress is particularly disgruntled. It's worried it will be cast in the role of language cops' inspectorate for the other 305 days.

Cop an eyeful

■ It's such a chore, battling with violent student protestors. But worse is to come for South Korea's police. Now they are being asked to crack down on – if that's the right expression – microskirts and other sexy clothes worn by young Korean women. The National Police Agency says "risqué" dress is responsible for a rise in rape and other sexual crimes. Women revealing "too much leg" or wearing clothes that do not properly cover the breasts or other "intimate" areas will be warned with a citation. Those caught behaving in "an overtly affectionate manner in public" will be fined.

At least South Korea's finest have some essential expertise – many are facing allegations of sexual harassment of the 1,500 female students they arrested at a demonstration at Seoul's Yonsei University last week.

The Financial Times

100 years ago

Riot in Constantinople

Constantinople, 26th August

At half past one this afternoon a band of about forty men armed with revolvers and bombs forced their way into the Ottoman Bank, killing a number of gendarmes guarding the building, and then shut the doors. The invaders posted themselves at the windows and on the roof of the bank and thence began firing their revolvers at the police. The latter returned the fire and a regular fusillade was kept up on both sides. There seems no doubt that the rising is the work of the Hintchakist Armenians.

50 years ago

London Fur Sales

The first of several consignments of Russian furs has arrived in London on the Soviet vessel Sestroretsk, the unloading of which has been nearly completed.

These furs are arriving for the auction to be held in the Beaver Hall on 1st October and have been shipped under the agreement signed between the Russian Government and Messrs. Anning Chadwick and Kiver, Ltd. (fur auctioneers) whereby the latter were given sole brokerage rights. In effect, this transferred the world market for Russian furs from Leningrad to London.

FINANCIAL TIMES
Wednesday August 28 1996

UK row erupts over fate of Iraqi hijackers

By Victor Tapner and William Lewis at Stansted and Jimmy Burns in London

A political row broke out yesterday over the fate of Iraqi hijackers of a Sudanese airliner who surrendered to police at London's Stansted Airport after freeing the 199 passengers and crew.

Last night Conservative MPs Mr David Howell and Mr Terry Dicks urged the government to expel the suspected hijackers, who were armed with imitation explosives and knives.

However, Mrs Emma Nicholson, the Liberal Democrat MP who chairs the all-party parliamentary group on Iraq, said such action could risk their assassination by President Saddam Hussein's regime.

Seven men and six women relatives were arrested, and two children taken into police care.

After the safe evacuation of the Sudan Airways jet yesterday, Mr John Burrow, chief constable of Essex, said the suspected hijackers had requested the presence at the hostage negotiations of Mr Saddiq Sada, a representative of the Iraqi Community Association, a London-based exile group.

The community association has charity status under UK law and has received grants of more than £80,000 from Labour and Conservative councils.

Meanwhile, the Iraqi National Congress, the main Iraqi opposition group based in London, said it had received information that one of those on board the airliner was a diplomat at the Iraqi embassy in Khartoum, where the flight originated.

It could not confirm whether the diplomat had been involved in the hijacking.

Negotiations to free the hostages, which took about eight hours, followed the overnight hijack of the Sudanese Airbus A310 en route from Khartoum to Amman in Jordan.

After the pilot was ordered to divert to Larnaca, Cyprus, the aircraft was refuelled and the hijackers demanded to be flown to the UK where they said they hoped to be granted political asylum.

They began to release hostages in groups of 10 at about 6.30am yesterday, two hours after the airliner landed at Stansted. The phased release continued until about 1pm when the crew were the last to leave the aircraft.

The hostages, mainly from Sudan and the Middle East, did not appear to have been ill-treated, although two passengers with heart conditions were taken to hospital.

The Home Office said any criminal proceedings would take precedence over asylum applications.

Fleeing Iraqis head for London, Page 8

Bosnian municipal elections postponed

By Laura Silber in Belgrade

Bosnian municipal elections were postponed yesterday because of alleged irregularities by Serb authorities in registering voters. The elections had been planned to coincide with the first national poll since the country's civil war.

However national elections will go ahead as planned in spite of concerns that their credibility could be undermined by the flawed electoral register. The international community is anxious to stick to the timetable outlined by the Dayton peace agreement despite the absence of freedom of movement in most parts of the war-torn country.

The national poll is seen as a crucial test of prospects for building joint governing institutions aimed at unifying Bosnia's two halves - the Bosnian Serb entity and the Moslem-Croat Federation.

US ambassador Robert Frowick, who represents the Organisation for Security and Co-Operation in Europe which is responsible for the elections, said: "I have made a chairman's decision that it is not feasible to hold municipal elections on September 14."

The postponement was in response to evidence that Bosnian Serb authorities and the Serbian regime of President Slobodan Milosevic had manipulated the registration of tens of thousands of Serb refugees in Serb-led Yugoslavia. They had sought to cement war gains by engineering a Serb majority in areas that were mostly Moslem before the Serb onslaught.

The electoral engineering was made possible by a provision in the Dayton agreement allowing refugees and displaced persons to vote in places where they intend to live or where they used to live.

Diplomats said refugees were pressed to register in strategic towns now held by Serbs, in particular Srebrenica, whose Moslem defenders were killed a little over a year ago after surrendering to Serb forces, and Brcko in the north east, on a corridor joining Serb-held lands.

Most refugees who registered to vote in the disputed Serb-held towns had lived in territory now belonging to the Moslem-Croat Federation.

Bosnian Serb leaders and their nationalist counterparts elsewhere in former Yugoslavia see the Dayton plan as enforcing the partition carved out over four years of war, ignoring its provisions for the return of more than 2m displaced people.

A Bosnian Serb official said yesterday that Bosnian Serbs were likely to hold the poll regardless of the decision.

Web of protection, Page 11

THE LEX COLUMN

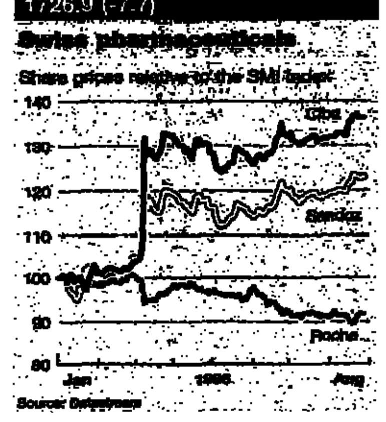
Lifeline for Lloyd's

Lloyd's appears to have secured itself a future. The successful US court appeal yesterday should allow the passage of its reconstruction plan later this week, closing the chapter on five miserable years and £8bn ($12.4bn) losses. At issue now is the shape of that future. Initially, it may be a baptism of fire. There are increasing concerns about the soft state of the market, and 1997 and 1998 may prove difficult years.

Longer term, there are grounds for optimism. For all the bad publicity, the Lloyd's brand remains a powerful asset. Many Names are justifiably bitter, but policy-holders have had a happier time. Lloyd's has never defaulted on a pay-out, and its good name still generates quality business. Record results in 1993 also show that Lloyd's remains capable of generating good profits.

But to whom will these profits accrue? The advent of corporate capital is dramatically changing Lloyd's capital structure. Many individual Names continue to expose themselves to unlimited liability, but the trend in the market is towards larger, consolidated groups. Mergers have also started to bring capital and underwriters under the same roof, making Lloyd's increasingly resemble a conventional insurer. Listed insurance vehicles have benefited from this spate of activity, but the benefits to Lloyd's itself are less clear. Better management and risk control will help avoid the more egregious errors of the past. But the outcome may be to stifle the flexibility and innovation which won Lloyd's its name.

FT-SE Eurotrack 200: 1726.9 (-7.7)



Swiss Re

Swiss Re's acquisition of M&G Re looks altogether a better deal for shareholders than this month's purchase of American Re by Munich Re. Both deals are driven by the same industrial logic: sheer size allows risk to be spread more effectively, theoretically enabling a company to earn a better return for the same level of risk.

The difference is that Swiss Re is paying 11¼ times last year's earnings, while its German rival paid over 20 times earnings. The two businesses are not exactly comparable and the price Swiss Re is paying is certainly not a steal. But the Swiss company will immediately earn nearly a 9 per cent return on investment. Add in cost savings and it is looking for a 13 per cent return in the short term. If Swiss Re hits its 15 per cent target in the medium term, the deal will enhance shareholder value – something which cannot be said of Munich Re's purchase.

Prudential

The Prudential was apparently hoping to lure trade buyers out of the woodwork when it said it planned to float its M&G Resubsidiary. The ploy has worked well: the £1.75bn ($2.71bn) sale price is around 30 per cent more than it could have hoped for from a flotation; moreover, it gets all the money upfront rather than in tranches. If the stock market was less than euphoric, it is largely from concern about how the Pru will spend the cash. The group's aim is to buy either a mutual life group or a building society. Investors see sense in the former, as overlapping costs could quickly be cut; buying a society is less obviously attractive as few costs could be cut. In both cases, the Pru is dealing with mutuals and so has to woo them patiently – hostile bids are not an option. Investors will not want the Pru to overpay by rushing a deal. But if it cannot redeploy the cash fairly quickly, pressure may mount for a share buyback.

GEC

The contract GEC is giving Mr George Simpson, its incoming chief executive, makes a mockery of the whole corporate governance debate. Mr Simpson is being granted both a big salary – some £1.2m including pension contributions – as well as a huge wodge of shares and share options. One or other would be defensible, but not both. The real joke, however, is the performance criteria attached to the options: they can be exercised as long as GEC's share price beats the FT-SE 100 average by 10 per cent in *any* six months within a specified three-year time period. Even the much-unloved British Gas, which has underperformed the FT-SE 100 by 52 per cent in the past three years, managed to outperform it by 13 per cent in the last six months of 1994. With a hurdle that weak, GEC might as well not have bothered with any.

Mr Simpson's package presents shareholders with a dilemma. At next week's annual meeting they will have no opportunity to vote against his contract – only a chance to vote on his appointment to the board. Many shareholders believe he is the man to put some pep into GEC's share price and will not want to risk losing him. If he succeeds, the gains could be measured in billions of pounds. But if investors let this pass, the implicit message is that powerful companies can ride roughshod over painstakingly established corporate governance principles. GEC must come up with a good justification for Mr Simpson's package or alter it.

Asda

Only a year ago, brokers were arguing that if Asda's chief executive Mr Archie Norman left, the food retailer's shares would plummet. Mr Norman might therefore feel insulted by the modest decline in Asda's shares yesterday – the bulk of the fall was due to the shares going ex-dividend – after he announced a scaling down of his involvement in the company when he becomes chairman. The restrained reaction does not reflect cynicism over his achievements at the company, which had been nicknamed disAsda before he joined in early 1992. Asda shares have since outperformed the stock market by over 100 per cent. The response is more a recognition that having rebuilt Asda's balance sheet and its brand, the company no longer needs a trouble-shooter. Mr Norman's elevation to chairman makes for a smooth and sensible management transition. But it means it would no longer be surprising, or particularly damaging, if the politically-ambitious Mr Norman turned his mind to more challenging turnaround situations like the Tory party.

Russian business attacks plan to tax bank accounts

By Chrystia Freeland in Moscow

Russia's business community yesterday accused the Kremlin of everything from "stupidity" to "Marxism" over proposals to tax all personal bank deposits and withdrawals and toughen restrictions on businesses' cash withdrawals.

The proposals are contained in two presidential decrees aimed at clamping down on tax evasion; the International Monetary Fund last month suspended a loan payment to Russia, citing poor tax collection. Most economists claim sagging revenues pose the biggest threat to economic recovery.

However, the uproar over the new rules has been so intense that Mr Alexander Livshits, the minister of finance, has made a special television appearance to try to calm public concerns.

Russian and western entrepreneurs and politicians yesterday said the decrees were a reversion to the crude Soviet style of economic management and could drive businesses further underground into the black economy.

"It is absolutely ridiculous; they haven't thought things through at all," a senior partner at one major western accountancy firm said.

Kommersant, Moscow's leading business daily, went even further, declaring in a headline yesterday: "The Minister of Finance has kept his promise to become a Marxist."

The decrees are vaguely worded and may not come into force until further laws have been passed by the parliament.

The proposal to tax bank personal bank account deposits and withdrawals was absurd, said Mr Andrei Potseluiev, a partner at Accounting Services, a Russian accountancy firm. "It means that you could pay taxes on the same money three times: once when you earn it, a second time when you deposit it in the bank, and a third time when you withdraw it."

The decrees also seek to tighten existing legislation which allows companies to withdraw cash from bank accounts only in order to pay for wages, business trips and small operating costs.

The chorus of objections to the proposals could force a presidential climbdown with senior politicians calling into question the legality of the new rules, arguing that presidential decrees do not have the authority to override existing legislation.

US nappy producers go head-to-head

Continued from Page 1

move for us. It doubles our market share in France, makes us number two in diapers in Europe and gives us the opportunity to expand market share further."

Kimberly-Clark's entry to the UK, Dutch, Swiss, French and Belgian markets in 1994 triggered a cut-throat "nappy war" in which prices fell by 20 per cent and advertising and promotion spending rose by more than 50 per cent in markets with little or no volume growth. Kimberly-Clark claims a 24 per cent share of the UK market – but apparently struggled in France.

SCA, Europe's biggest producer of own-label nappies for retailers, said it could no longer support the losses it suffered in the branded sector. Its branded nappy operations are now confined to the Nordic countries and the Netherlands. Its Mölnlycke hygiene division is to concentrate on own-label nappy production and other goods such as tampons and adult incontinence products.

The 80,000 tonne capacity plant at Prudhoe in Northumberland, which accounts for 15 per cent of UK tissue capacity, is SCA's first tissue production base in Britain. SCA also acquired rights to the Kleenex toilet paper and kitchen paper brands in the UK and the Scotties and Handy Andy brands, making it Europe's second largest tissue products producer.

Kimberly-Clark had been forced by the European Commission to divest the Prudhoe operation as part of the EC's conditions for accepting the merger last January of Kimberly-Clark's and Scott Paper's European businesses.

SCA paid an undisclosed cash amount to Kimberly-Clark to balance the exchange deal.

FT WEATHER GUIDE

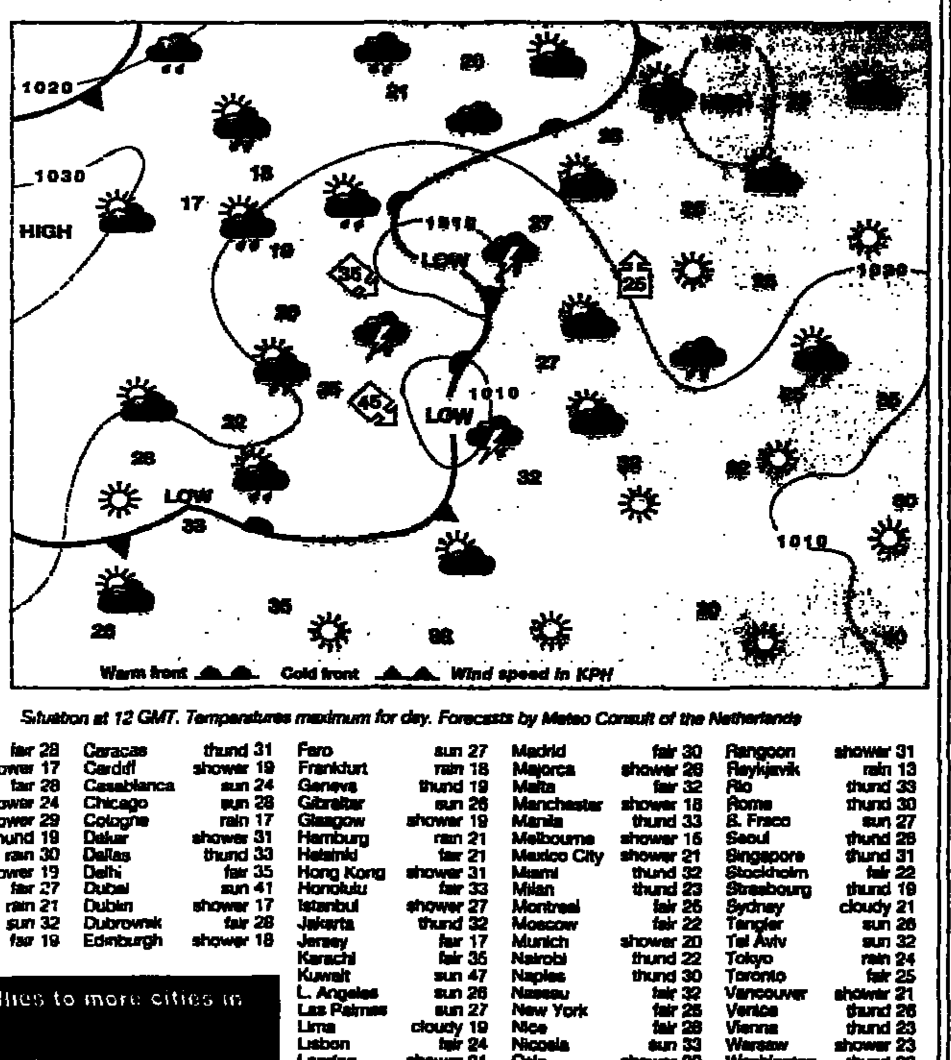
Europe today

Most of Europe will have rain and wind. Rain will arrive from the east in the Benelux by the end of the afternoon.

Germany, the Czech Republic, Slovakia and the Alps will have rain and some thunder. Patchy cloud in France will bring a few showers. Eastern Spain will have showers, but western Spain and Portugal will be mainly dry. Thunder showers are expected in Italy. The Balkan states will have sunny periods. Greece and southern Turkey will also be sunny but northern Turkey will have showers. The Mediterranean will be mainly sunny.

Five-day forecast

Rain over western Europe will move northwards and become less intense. High pressure will bring improved conditions from the Atlantic towards western Europe.



Situation at 12 GMT. Temperatures maximum for day. Forecasts by Meteo Consult of the Netherlands

TODAY'S TEMPERATURES

	Maximum	Beijing	fair 28	Caracas	thund 31	Faro	sun 27	Madrid	fair 30	Rangoon	shower 31
	Celsius	Belfast	shower 17	Cardiff	shower 19	Frankfurt	rain 18	Majorca	shower 28	Reykjavik	rain 13
Abu Dhabi	sun 42	Belgrade	fair 28	Casablanca	sun 24	Geneva	thund 19	Malta	fair 32	Rio	thund 33
Accra	shower 27	Berlin	shower 24	Chicago	sun 28	Gibraltar	sun 29	Manchester	shower 18	Rome	thund 30
Algiers	fair 28	Bermuda	shower 29	Cologne	rain 17	Glasgow	shower 19	Manila	thund 33	S. Frsco	sun 27
Amsterdam	shower 20	Bogota	thund 19	Dakar	shower 31	Hamburg	rain 21	Melbourne	shower 16	Seoul	thund 26
Athens	sun 31	Bombay	rain 30	Dallas	thund 33	Helsinki	fair 21	Mexico City	shower 21	Singapore	thund 31
Atlanta	thund 31	Brussels	shower 19	Delhi	fair 35	Hong Kong	shower 31	Miami	thund 32	Stockholm	fair 22
B. Aires	sun 20	Budapest	fair 27	Dubai	sun 41	Honolulu	fair 33	Milan	thund 23	Strasbourg	thund 19
B.ham	shower 19	C.hagen	rain 21	Dublin	shower 17	Istanbul	shower 27	Montreal	fair 26	Sydney	cloudy 21
Bangkok	thund 32	Cairo	sun 32	Dubrovnik	fair 28	Jakarta	thund 32	Moscow	fair 22	Tangier	sun 26
Barcelona	fair 28	Cape Town	fair 19	Edinburgh	shower 18	Jersey	fair 17	Munich	shower 20	Tel Aviv	sun 32
						Karachi	fair 35	Nairobi	thund 22	Tokyo	rain 24
						Kuwait	sun 47	Naples	thund 30	Toronto	fair 25
						L. Angeles	sun 26	Nassau	fair 32	Vancouver	shower 21
						Las Palmas	sun 27	New York	fair 25	Venice	thund 26
						Lima	cloudy 19	Nice	fair 28	Vienna	thund 23
						Lisbon	fair 24	Nicosia	sun 33	Warsaw	shower 23
						London	shower 21	Oslo	shower 20	Washington	thund 28
						Lux.bourg	shower 18	Paris	shower 19	Wellington	fair 12
						Lyon	shower 20	Perth	fair 17	Winnipeg	sun 25
						Madeira	fair 25	Prague	thund 23	Zurich	thund 16

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FINANCIAL TIMES
COMPANIES & MARKETS

Wednesday August 28 1996

IN BRIEF

Handelsbanken improves 17%

Higher net commission income drove a 17 per cent increase in interim profits at Handelsbanken, one of Sweden's leading banks. Operating profits rose from SKr3.57bn to SKr5bn ($456.7m), bolstered by a 8 per cent increase in net interest income to SKr19.97bn. Page 14

MAN lifts pre-tax profits 21%
MAN, the German truck and printing machine manufacturer, posted a 21 per cent rise in provisional pre-tax profits to DM580m ($383.8m) for the year to June 30, up from DM478m a year earlier. Page 14

AccuStaff looks for Europe expansion
AccuStaff, which will become the fourth largest US recruitment company once it has completed its acquisition of New York-based Career Horizons in a stock swap valued at just under $900m, said it would be looking to buy a European information technology consultancy "in the near future". Page 15

Canadian banks beat expectations
Bank of Montreal and Bank of Nova Scotia kicked off the Canadian banks' reporting season with a 14 per cent and 22 per cent rise, respectively, in third-quarter earnings. In both cases the result was slightly above analysts' forecasts. Page 15

Exceptionals lift Citic to HK$8bn
Citic Pacific, the Hong Kong-listed arm of Beijing's flagship investment company, proposed a special dividend of 80 cents on top of a 16.5 cents interim payout as it reported half-year net profits of HK$4.99bn (US$645m), lifted by HK$3.5bn of exceptionals from the sale of stakes in Hongkong Telecom and Dragonair, the Hong Kong airline. Page 16

Matsushita rebounds to Y50.7bn
Matsushita, the leading Japanese consumer electronics group, rebounded to a first-quarter profit of Y50.7bn ($471m) against a deficit of Y127.7bn a year ago after heavy losses from the sale of its 80 per cent stake in MCA, the US entertainment group. Page 16; TDK rises strongly, Page 16

Caradon sets disposal terms
Caradon, the UK building materials group, has agreed outline terms for the disposal of 15 engineering and distribution subsidiaries for £180m. The buyer is believed to be CINVen, the former British Coal venture capital company bought out by its management last October. Page 17

Buy-back possible at Hanson US arm
Millennium Chemicals, the US chemicals arm of Hanson, raised the prospect of a share buy-back following its demerger from the UK industrial conglomerate. The company said it would consider purchasing its own shares if it met its cash flow and debt reduction targets in the next five years. Page 17

Companies in this issue

Market Statistics http://www.FT.com

Chief price changes yesterday

FRANKFURT (DM)			
Rises			
Degussa	591	+	10
Hochtief	68.4	+	1.9
Holzmann	874	+	8
MAN	388.5	+	16.7
Falls			
Heidelb Zem	986	-	8
Linde	894	-	10
NEW YORK ($)			
Rises			
Consol Freight	23¾	+	3
Grand Casinos	17¾	+	1½
Olympic Fin	26¼	+	2¼
Falls			
Ek Chor China	8¼	-	1¼
Frontier Ins	38⅛	-	1⅞
Home Shopping	10⅝	-	1⅛
LONDON (Pence)			
Rises			
Darby Grp	106½	+	27½
Firecrest	64	+	18
Melrose Engs	50½	+	5
Prism Rail	308	+	35
VDC	250	+	20
Falls			
Regent Inns	217½	-	18½
TORONTO (C$)			
Rises			
Anderson Res	4.75	+	1.00
ADS Motors	14.05	+	1.70
IPSA	8.00	+	1.05
Industry Contin	13.00	+	1.40
Falls			
Global Election	7.25	-	1.75
Gulmayer Can	4.85	-	0.75
PARIS (FFr)			
Rises			
Apphura	804	+	6.8
Carrefour	2616	+	58
Essilor	1328	+	33
Falls			
Alcatel	395	-	6.7
BIC	729	-	17
Sagem	2837	-	62
TOKYO (Yen)			
Rises			
Fuji Film	3300	+	80
Fuji Spinning	550	+	17
Janome Sewing	500	+	46
Omron	2040	+	60
Falls			
TDK	3400	-	60
Tokyu Car	530	-	13
HONG KONG (HK$)			
Rises			
Chung Hwa Dev	2.175	+	0.15
Fairyoung Hld	3.40	+	0.425
Min Xin Hldgs	1.81	+	0.22
Sh China Dev	0.98	+	0.13
Truly Intl	2.10	+	0.17
Falls			
Sino Liony Hk	8.25	-	0.40
BANGKOK (Baht)			
Rises			
Devan Ins	92.00	+	7.00
Hemaraj L&D	129.00	+	10.00
S. Khonkaen Fd	70.00	+	6.50
Shangri-La	25.75	+	2.25
Falls			
Big C Super	35.00	-	5.25
Ronda Jewelry	27.25	-	2.75

New York & Toronto prices at 12.30.

Swiss Re buys Pru reinsurance arm

By Motoko Rich and Ralph Atkins in London and William Hall in Zurich

Swiss Reinsurance yesterday became the world's largest life reinsurer with the £1.75bn ($2.7bn) purchase of Mercantile & General, the reinsurance arm of the Prudential Corporation.

Two months ago Prudential, Britain's largest life insurer, said it would float a proportion of M&G Re this autumn. The acquisition comes just two weeks after Munich Re, the world's largest reinsurer, paid $3.3bn to buy US-based American Re. General Re last month acquired its US rival National Re for $940m.

Swiss Re will overtake Munich Re in the health and life reinsurance market, where it will command annual premiums of SFr4.1bn ($3.4bn).

M&G Re will be integrated under the Swiss Re brand name in a new division based in London and account for more than a quarter of Swiss Re's reinsurance workforce.

Mr John Coomber, a member of Swiss Re's executive management, will head the new division. Mr Coomber said there would be cuts in M&G Re's 1,300-strong workforce.

Swiss Re's shares rose 2.4 per cent to SFr1,301. Mr Tom Bennett, analyst with Banque Paribas, said the deal "looked somewhat expensive but strategically sensible".

For Prudential, the sale opens the way for it to pursue its expansion plans in retail financial services. It has made no secret of its desire to acquire a building society or another life assurer. Its name has been linked with Woolwich and Alliance & Leicester, the building societies planning to float next year, as well as Scottish Widows and Friends Provident, the mutual life assurers.

Shares in the Pru closed unchanged yesterday at 437p. Following the sale, the Pru will have access to funds of up to £2.5bn. However, Mr Peter Davis, chief executive, said yesterday: "We do not feel that we have money burning a hole in our pockets."

Analysts were eager for Mr Davis to act on the expansion plans. "Now that they have a war chest it is time for them to implement the second part of their strategy," said Mr Roman Cizdyn at Merrill Lynch.

Mr Davis said the group would consider a share buy-back. "But we have not said that if we do not do a deal by a week on Tuesday we better hand the money back."

The Pru has been seeking trade buyers for M&G Re since it announced plans to spin it off in June.

The sale is a setback for Mr John Engeström, M&G Re's chief executive, who believed the group could prosper independently. Swiss Re will pay £1.7bn in cash and make a special payment of £50m. The price is 1.4 times M&G Re's net asset value of £1.1bn at end-1995, and represents a premium to the flotation value of about £1.4bn the Pru believes it could have achieved.

Lex, Page 12; Swiss Re reconnects former offshoot, Page 14

Roche slips as financial gains play bigger role

By Daniel Green in London

Shares in Roche, the Swiss drugs company, fell yesterday after the company reported first-half figures that showed its increasing dependence on financial activities at the expense of profits from product sales.

Group net profits rose from SFr1.9bn to SFr2.3bn ($1.9bn), a 16 per cent increase. But operating profits rose only 6 per cent to SFr1.93bn. Non-operating income, essentially the result of investing surplus cash, rose 31 per cent to SFr786m.

Roche certificates, the most widely traded shares in the company, slipped SFr30 to SFr9,400 in Zurich.

For a number of years Roche has had a policy of accumulating cash for investments, which are managed by Mr Henri Meier, chief financial officer.

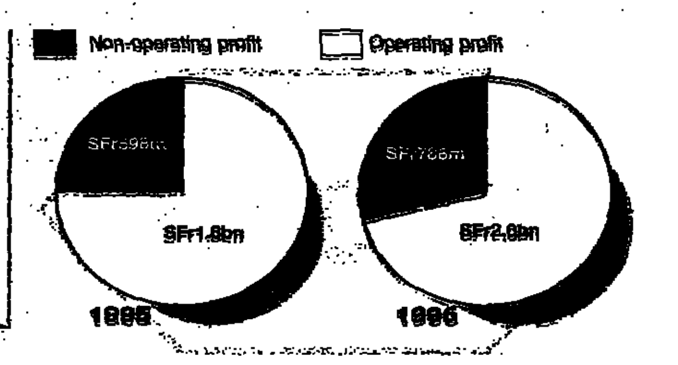
Roche said first-half operating profits were hit by drug price cuts in Japan and Italy, price cuts in fragrances and at its US laboratory business.

It also warned of increasing marketing costs. Roche is launching Posicor for high blood pressure and Xenical for obesity in the general practitioners' market next year and needs to build sales forces.

Roche's strength in recent years has been based on sales to hospitals of products such as Rocephin, an antibiotic, which require smaller, more specialised hospital sales teams.

Henri Meier chief financial officer

Profitable sideline



Analysts said the company had indicated that profits margins would be under pressure this year and next.

Mr Mark Tracey, pharmaceuticals analyst at Goldman Sachs in London, said Roche's vitamins division was suffering competition from Chinese producers and fine chemicals – fragrances and flavours – had suffered as a result of commodity price movements.

"The fragrances business is perhaps earmarked for disposal," he said, adding that the company had indicated it might make acquisitions in the next few years.

"In diagnostics, Roche is only number 11 in the world. An acquisition or alliance is needed to make the most of strong sales growth there," said Mr Tracey.

The company was upbeat in its interim report. "Barring extraordinary events, we can again expect to see a good overall result for the 1996 business year and in particular another increase in consolidated net profit," it said.

Operating margins rose 1 percentage point to 25 per cent. Research and development spending rose from SFr1.2bn to SFr1.3bn.

Roche said exchange rate movements in the first half of 1996 had helped the figures. The dollar tumbled against the Swiss franc in 1995, but was slightly higher at the end of June 1996 than a year earlier.

In July, Roche reported first-half sales of SFr7.8bn, against SFr7.5bn a year ago.

Daimler expected to signal recovery

By Wolfgang Münchau in Frankfurt

Daimler-Benz, the German transportation group, is expected to announce tomorrow that it has recovered strongly from last year's record net loss of DM5.7bn ($3.8bn) as it reports half-year results.

The company, which in 1995 recorded the worst financial loss in German corporate history, is on course to reach a return on capital employed of close to 10 per cent this year. Analysts had expected recovery would take much longer and it would be another two years before Daimler reached its target of a 12 per cent return.

Daimler's board is also likely to look at streamlining the management to enable less bureaucratic decision-making.

In response to criticism from shareholders, Mr Jürgen Schrempp, chairman, has pledged to increase shareholder value, focus more closely on the core business of transportation and set performance targets for each division.

Strong car sales at Mercedes-Benz, Daimler's largest subsidiary, particularly of the newly launched mid-size E-class model, will be the main factor behind the expected recovery. The loss-making Daimler-Benz Aerospace may approach break-even this year, two years sooner than expected, because of better order levels and a more favourable exchange rate.

The improvement follows a year of upheaval and controversy. Restructuring measures included the dismantling of AEG, the electronics group, the ending of financial support for Fokker, the Dutch regional aircraft manufacturer, and the sale of Dornier, the German regional aircraft maker, to Fairchild Aircraft of the US. The number of business units has fallen from 35 to 23.

On the assumption of DM45 to DM50bn of capital employed, a return on capital employed of 10 per cent would translate into operating profits of between DM4bn and DM5bn this year. Pre-tax profits will be substantially lower and expectations are for net profits of less than DM2bn for the full year.

Daimler weighs up managerial fat, Page 14

Amer shares slide after profits warning

By Hugh Carnegy in Stockholm

Amer, the Finnish group which controls US sports equipment maker Wilson and other sports brands, yesterday reversed the recovery in its battered shares when it warned it was likely to remain in the red this year.

On a day when the company would have preferred attention to focus on the performance of its top sponsorship stars Pete Sampras and Steffi Graf in the US Open tennis championships, Amer, the world's second largest sports goods supplier, saw its shares slide FM5.20 within minutes of its mid-afternoon statement to close at FM109.

The warning punctured any hopes of an early improvement following moves to restructure Amer's floundering operations by Mr Roger Talermo, the former Finnish skiing professional who took over as chief executive in May.

The shares had bounced back from a low earlier this year of below FM75 to FM120 last week following announcements that Mr Talermo was to act as chief executive of Wilson, the Chicago-based sporting equipment group and biggest unit within Amer.

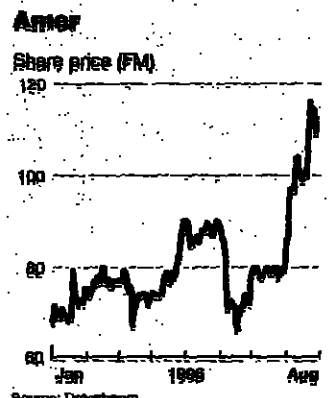
He also made changes in the organisation of Wilson and appointed two new senior executives.

The Helsinki-based parent said losses had continued in the current four-month period, following a slump to a FM116m ($26m) loss in the first four months of the year. It would remain "clearly lossmaking" in the full year, Amer said, reversing a profit of FM142m in 1995.

It said problems at Wilson and its MacGregor golfing equipment unit continued to have a negative impact – as did the implementation of a new manufacturing system for skis at Atomic, the Austrian-based winter sports equipment maker it acquired in late 1994.

To compound the losses, Amer will no longer benefit from contributions from its former Toyota import franchise in Finland, which it sold last year as part of its strategy of concentrating on sporting goods.

Amer



Source: Datastream

Shareholders concerned by Simpson pay package

By Geoff Dyer and William Lewis in London

Mr George Simpson, former chief executive of Lucas Industries, will receive potentially one of the most lucrative remuneration packages in UK industry when he takes over as managing director of General Electric Company next month.

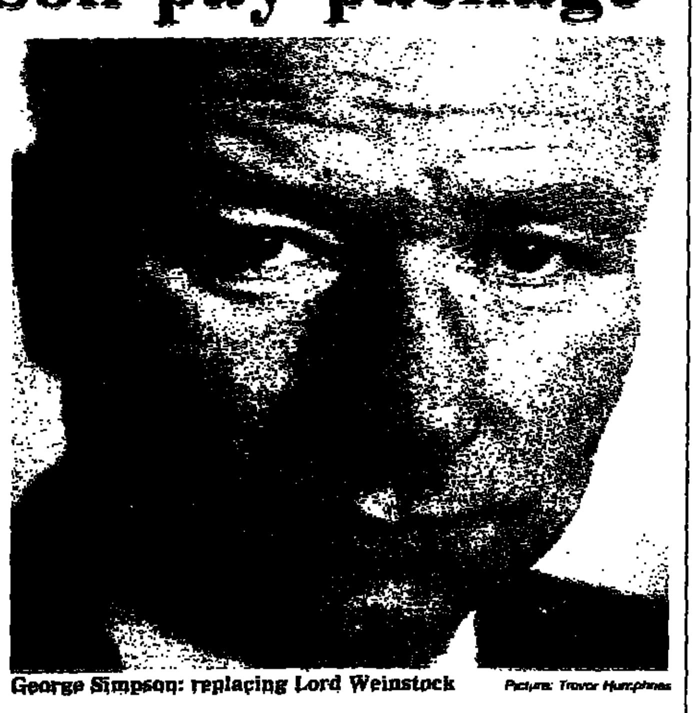
His package consists of annual remuneration of up to £1.5m ($2.3bn), including pension contributions, plus a grant of shares and share options equivalent to £4.8m – eight times his annual salary.

Details of Mr Simpson's pay, contained in his service contract, yesterday caused disquiet among senior institutional investors and shareholder groups.

They expressed concern that the share and option grants might breach Association of British Insurers' guidelines and the Greenbury report on executive pay. The ABI said it had not been consulted about Mr Simpson's package and investors said that they would be questioning the company.

Investors are concerned that the share price target which GEC has to meet before Mr Simpson is able to take profits is not tough enough. Shareholder groups yesterday also alleged that GEC had failed to disclose the existence of Mr Simpson's service contract in documents sent to them ahead of the group's annual general meeting on September 6.

Mr Simpson is seeking shareholder approval of his appointment to the board at the meeting. Late on Friday, GEC issued a statement that his contract would be available for inspection from yesterday. Last night Mr Norman Porter, company secretary, refused to make any comment.



George Simpson: replacing Lord Weinstock Picture: Trevor Humphries

Mr Simpson is replacing Lord Weinstock who, after 33 years as managing director, is to take the honorary position of Chairman Emeritus.

In addition to a £500,000 "golden hello" payment for loss of earnings at Lucas, Mr Simpson will receive an annual salary of £600,000. He can qualify for a bonus of up to £300,000 if certain "reasonable" criteria are met, his service contract states. Mr Simpson, 54, will also receive an annual pension contribution of at least £620,000.

Under the terms of a phantom share option scheme, he will be granted notional options based on four times his salary and from which he can begin profiting after four years. The options can only be exercised if GEC's share price outperforms the FT-SE 100 by 10 per cent over the previous six-month period. GEC has capped the cash payments Mr Simpson can receive from this scheme at £1m.

He will also be awarded shares under an employee share plan which will have a value equivalent to £2.4m-worth of share options.

In an apparent breach of the Greenbury report, parts of which have been annexed to the London Stock Exchange's rule book, Mr Simpson has been awarded a three-year fixed term contract which will become a one-year rolling contract from 1999.

Lex, Page 12

Market trading lifts Handelsbanken

By Greg McIvor in Stockholm

Higher net commission income drove a 17 per cent increase in interim profits at Handelsbanken, one of Sweden's leading banks. Operating profits rose from SKr2.57bn to SKr3bn ($455.7m), bolstered by a 2 per cent increase in net interest income, from SKr19.5bn to SKr19.97bn, on the back of higher lending and deposit volumes.

The earnings were in line with market expectations, but Handelsbanken's most-traded A shares eased SKr1.5 to close at SKr140.

Mr Arne Martensson, chief executive, described the competitive climate as fierce. Margins had narrowed over the period, but recovered somewhat in May and June, as interest rates continued to fall.

He said Handelsbanken had not ruled out bidding for Statshypotek, Sweden's largest mortgage bank, when the state sells its 34 per cent stake. However, the holding has already been linked with Nordbanken, another of Sweden's big banks, and Mr Martensson hinted that Handelsbanken's priority was to carve a niche as the premier pan-Nordic bank.

Handelsbanken has already expanded into Norway and Finland, and Mr Martensson is keen to develop operations in Denmark.

The bank said net commission income rose from SKr1.27bn to SKr1.64bn, or 29 per cent, mainly because of larger volumes of stock market trading and of corporate finance and custodian security services. The bank said it was the market leader on the Stockholm stock exchange, with a 16 per cent share of total turnover.

Handelsbanken said profits would have been SKr330m higher had it adopted the recent practice of other Swedish banks of including bonds in their investment portfolios as current rather than fixed assets.

Net loan losses fell from SKr1.1bn to SKr892m, or from 0.8 per cent of lending to 0.6 per cent. Return on equity climbed from 15.2 per cent to 18.4 per cent, and earnings per share rose from SKr7.52 to SKr9.70.

There was also a 10 per cent increase in costs, to SKr3.5bn. Excluding costs of acquisitions in Finland and higher depreciation in leasing operations at Handelsbanken's finance unit, the growth was 4 per cent.

The bank blamed a fall in other operating income, from SKr321m to SKr146m, on the removal of its real estate vehicle Näckebro, which was spun off.

Swiss Re reconnects former offshoot

The purchase of M&G Re makes the reinsurer the world leader in health and life business

Swiss Re's purchase of Mercantile & General Re is a trip down memory lane for the world's second-biggest reinsurer. This year is the 80th anniversary of Swiss Re's acquisition of majority control of M & G, and the UK insurance company remained inside the Swiss Re empire for more than 50 years before being sold in 1968.

Mr John Coomber, 47, a Briton who heads Swiss Re's life operations, says it is mere coincidence that Swiss Re has bought back a company which it sold because it did not see eye to eye with the other shareholders.

M & G Re is a "completely different company from the one we sold", he says. It has cleaned up its property and casualty business, which was the source of all its problems, and now has an attractive position as one of the leading providers of life and health reinsurance.

Mr Coomber also denies that Swiss Re was rushed into spending the bulk of the SFr5.5bn ($4.6bn) it raised from last year's sale of its direct insurance operations by the rapid pace with which rivals were snapping up smaller competitors. "We may have finished last, but we were not the last to start," says Mr Coomber, commenting on the busiest period for takeovers in the history of the reinsurance industry.

Swiss Re, which depends heavily on reinsuring property and casualty risks, had been keen to expand in the more stable area of life and health reinsurance. Already number two after Munich Re, the acquisition of M & G Re will make it the market leader. It will have combined premiums of SFr4.1bn, and the proportion of its business in life and health rises from 17 per cent to 27 per cent.

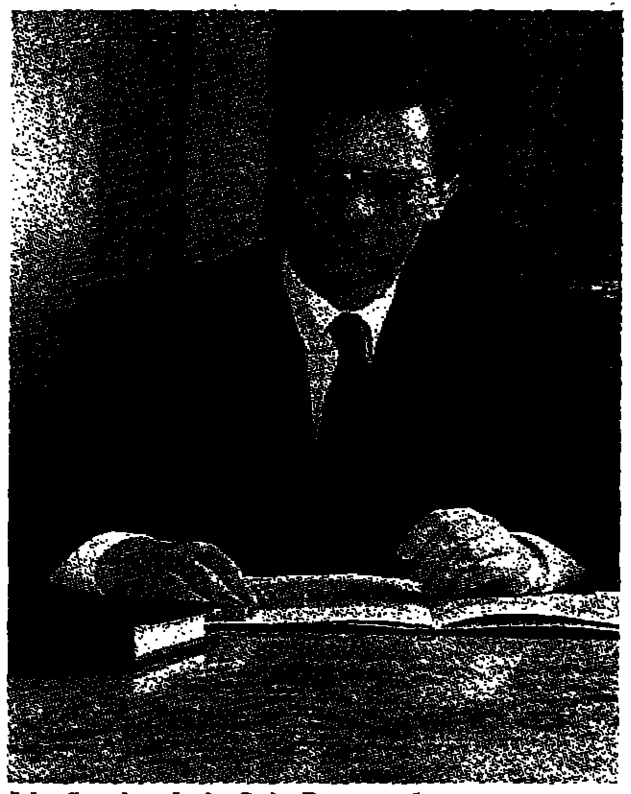
The deal also strengthens Swiss Re's position in the US reinsurance market, where it was in danger of falling behind after the recent spate of mergers.

It will have annual US premiums of $3.3bn a year and, although it still ranks behind Employers Re ($3.8bn in the US), and General Re/National Re ($3.6bn), it will be considerably bigger than its old rival, Munich Re, which is taking over American Re. Swiss Re will also be the market leader in medical expense reinsurance.

Although Swiss Re is paying a handsome premium to book value, it believes that by putting the two businesses together it can save money in areas such as investment management, and the need for extra reinsurance will be reduced. While it is reluctant to put a figure on the potential synergies, some analysts suggest the benefit could be as much as £500m ($778.5m). M & G Re, which had net income of £148m and gross premiums of £1.3bn in 1995, is earning 16 per cent on its equity and Swiss Re expects to earn a return on its investment of 13 per cent in the "near term".

Swiss Re is the last of the big three Swiss insurers to retain a Triple A rating from the credit rating agencies. Zurich Insurance and Winterthur have both been downgraded following recent acquisitions.

However, Mr Coomber says that Swiss Re had talked to the rating agencies and he would be "surprised" if it lost its rating. It had also investigated the quality of M & G's once-troubled property and casualty business, and was reasonably confident that "no nasty legacies of the past" remained.



John Coomber: denies Swiss Re was under pressure

Swiss Re has underlined the importance of its latest acquisition by taking the unusual step of transferring Mr Coomber, a member of its executive management, to London to run the enlarged operation. M & G may have passed out of UK ownership, but London will be the centre of Swiss Re's enlarged "life and health division", and will account for around a quarter of Swiss Re's reinsurance workforce.

Lex, Page 12

William Hall

Daimler-Benz weighs up managerial fat

The German automotive group is looking to reform its internal structure

After a year of unprecedented upheaval, marked by the sale of loss-making divisions and heavy job cuts, Mr Jürgen Schrempp, chairman of Daimler-Benz, is plotting the next phase of his internal revolution.

The company has commissioned research on the link between management structures and profitability. It concluded that "portfolio management" companies – where a small group of top managers exercises direct managerial and financial control of each business unit – are consistently more profitable than companies such as Daimler-Benz, where industrial divisions are financially and legally complex, with a managerial layer between the business units and group directors.

Examples of such top performers are General Electric of the US and ABB, the Swiss-Swedish power engineering group. Mr Schrempp has frequently cited GE, and its focus on high financial returns, as an example for Daimler-Benz to follow.

The adoption of portfolio management marks a much more direct form of management, with fewer layers and a more hands-on relationship between head office and business units. It would acknowledge that the notion of an integrated technology concern – where business units fed off each other – has failed. It would also mark a change from a conservative hierarchical structure to the more chaotic style common in the US.

There are other issues. The most important is the future of Daimler's main units – Mercedes, Dasa and Daimler-Benz InterServices (Debis) – with a series of related questions: for example, the future of Mr Helmut Werner, chairman of Mercedes, and a former rival of Mr Schrempp's for the top job.

Indications are that the Daimler-Benz board is about to discuss internal structures in earnest. Whether this will lead to a formal abandonment of the units or simply a reshuffle of management responsibilities is not yet decided. Daimler may retain its legal structure for tax reasons, and restrict the reorganisation to the management.

The ultimate aim is to improve shareholder value, as even insiders now acknowledge that the company has badly neglected its investors for too long. A group of small shareholders even launched legal action against Daimler executives, charging that the management withheld relevant financial information at last year's annual general meeting.

At the same time, the company is facing pressure from staff and trade unions, who fear Daimler-Benz is about to embrace capitalism in its rawest form. Dasa's highly controversial job-cutting programme last year did not help.

Perhaps the most symbolic instance of change has been the decision to introduce an executive stock option scheme, which has given rise to an uneasy debate inside the company's supervisory board about executive pay and how it affects the way the company is managed. The indications from within the company are that the scheme is only the first of many experiments.

More change is on the way. Mr Schrempp is unlikely to push Daimler-Benz all the way, if only because German law, business customs and politicians may not let him. He will have his work cut out even to get close.

Wolfgang Münchau

MAN lifts pre-tax profit 21% for year

By Sarah Althaus in Frankfurt

MAN, the German truck and printing machine manufacturer, yesterday posted a 21 per cent rise in provisional pre-tax profits for the year ended June 30, from DM272m to DM330m ($223.2m). This allowed it to lift the payout from DM9.5 to DM12.

"The high – if not evenly distributed – level of orders on hand . . . as well as continued efforts to improve our competitive position in products and costs give MAN reason for confidence about fiscal 1996-97," the company said.

Order inflow rose 1 per cent to DM20.8bn for the year, and stood at DM1.8bn for the first month of the current year. Orders on hand at June 30 came to DM17.6bn, up 4 per cent from a year earlier. Turnover rose 9 per cent to a record DM20.3bn.

MAN said profits growth for the current year also depended on a sustained recovery in the global capital goods industry. Demand in the sector overall had begun to pick up in the final quarter of last year.

The results matched company forecasts, and the shares surged DM16.7 to DM369.5. Analysts attributed the stock's sharp rise mainly to a correction from its recent slump amid a poor outlook for the engineering sector as a whole.

"The stock's surge is somewhat exaggerated; the results were not bad but the order inflow was a bit worrying," Mr Michael Hagmann, analyst at UBS in London, said.

Mr Hagmann said he was "cautiously optimistic" about the current year, noting that MAN's truck division, its largest, might be hurt by the introduction in the autumn of a new line of heavy trucks by rival Mercedes-Benz.

Mr Thomas Dorsch, analyst at Vereinsbank Research, predicted a rise in earnings per share from DM26 last year to DM28.

Order inflow in the truck unit fell 3 per cent to DM7.5bn, hit by weak domestic demand. Pre-tax profits rose 24 per cent to DM260m.

MAN Roland, the printing machinery unit, suffered a 6 per cent decline in new orders to DM2.2bn. Exceptional costs connected with the launch of a new generation of printing machinery contributed to a loss of about DM80m. New orders for diesel engines rose 3 per cent to DM1.7bn.

■ Linde, the diversified German engineering group, said it continued to expect higher earnings for 1996 after pre-tax profits rose 8 per cent to DM262m in the first six months. Pre-tax profits were DM620m in 1995. Interim sales climbed 8.5 per cent to DM3.9bn.

NEWS DIGEST

Continental posts two-fold increase

Continental, the German tyre company, doubled profits in the first half of this year and is confident of achieving marked rises in profitability in the second half and in 1997. Pre-tax profits rose by 107 per cent, from DM85m to DM120m ($80.5m). All divisions performed well in spite of the uncertain economic conditions.

The company said "massive internal efforts" to cut costs and raise productivity contributed to the profit increase. Turnover showed an increase of only 1.3 per cent to DM5.1bn, with a 2.5 per cent improvement to DM10.5bn expected for the full year.

Reaffirming its drive to cut costs further and shift more production to the low-cost Czech Republic and Portugal, the company said the closure of a European plant "could not be excluded". *Andrew Fisher, Frankfurt*

Air France Europe chief quits

Mr Jean-Pierre Courcol yesterday announced his resignation as managing director of Air France Europe, the domestic partner of Air France. His departure is due to the scrapping of plans to merge Air France Europe and the state-controlled airline's European operations. The two airlines plan instead to merge by spring 1997. On the basis of 1995-96 figures, the merger would create a company with turnover of about FFr50bn ($9.80bn) and 47,000 employees.

Mr Courcol said the "formidable economic war being waged between the leading world airlines and the current situation of Air France Europe" had convinced him the merger had become "the only way to maintain jobs and complete the restructuring." *David Owen, Paris*

AssiDomän warns on prices

AssiDomän, the Swedish forestry products group, warned yesterday of a fresh downturn in wood pulp prices after several months of gradual increases.

Mr Lennart Ahlgren, chief executive, said growing demand for pulp was being reflected in higher inventories and he could not rule out the risk of renewed price erosion.

The comments came as AssiDomän blamed lower prices for a 48 per cent slump in interim profits. First-half pre-tax profits slid from SKr2.4bn to SKr1.2bn ($182m), in line with analysts' expectations, reflecting the problems faced by most of Scandinavia's forestry companies in maintaining profitability in the face of lower pulp and paper prices. AssiDomän's shares rose SKr3.5 to SKr167.

Turnover declined from SKr11.4bn to SKr10.2bn, a fall of 10 per cent. *Greg McIvor, Stockholm*

VNU ahead at operating level

VNU, the Dutch publishing and information services group, yesterday announced first-half net earnings down from Fl 286m to Fl 143m ($86.6m), due to an extraordinary profit last year from the sale of its US financial information subsidiary, Disclosure.

Without this, the profit increased by 13 per cent to Fl 143m, on turnover 14 per cent higher at Fl 1.76bn (including sales by non-consolidated companies). The operating result, which also included income from such companies, was ahead 9 per cent to Fl208m.

Business information divisions both in the US and Europe turned in a solid performance, but the commercial broadcasting operation, which includes the Benelux TV stations RTL4 and VTM, is not expected to improve this year.

VNU expects to maintain its 13 per cent growth rate through the second half of the year. *David Brown, Amsterdam*

Parmalat issue successful

A L464bn ($304.86m) capital raising operation by Parmalat, the Italian dairy products group, was successfully closed yesterday. In addition to a rights issue of 246m new shares at L1,500/share, which achieved a 99.6 per cent take-up, L95bn was raised through conversion of warrants. The group will use the new funds to finance acquisitions and reduce indebtedness, which at year-end 1995 stood at L1,096bn. *David Lane, Rome*

East Asiatic turnover up 11%

Denmark's East Asiatic Company, which has extensive trading interests in East Asia, reported an 11 per cent increase in turnover from DKr10.35bn to DKr11.21bn ($1.96bn) in the half year to June 30. Profits before tax increased 7 per cent, from DKr12m to DKr176m. Mr Michael Fiorini, managing director, said that the group's bulk shipping produced a disappointing result, and that conditions in timber trading were difficult. He predicted an improvement in full-year earnings. *Hilary Barnes, Copenhagen*

AccuStaff eyes Europe after merger

By John Authers in New York

AccuStaff, which will become the fourth largest US recruitment company once it has completed its acquisition of New-York based Career Horizons in a stock swap valued at slightly less than $900m, said yesterday it would be looking to buy a European information technology consultancy "in the near future".

The company also forecast that consolidation in the fast-expanding US temporary staffing and recruitment market would intensify with the involvement of European acquisitions. Manpower and Kelly, the two largest US recruitment agencies, already have a large presence in Europe.

Both AccuStaff and Career Horizons had already grown swiftly. AccuStaff's turnover is projected to rise to $772m this year, from $267m in 1995, while Career Horizons' turnover is projected to have risen from $385m to $613m in the same period.

Both companies are leading a sharp trend towards consolidation in the industry, which has roughly doubled in size since 1990. Recruitment companies are attempting to keep pace with the growing trend for companies to out-source professional functions such as information technology, accountancy and legal services. They believe that consolidation is necessary if the industry is to expand successfully into these areas.

AccuStaff made clear that the deal was not the end of its acquisition spree, which has already seen it buy 33 recruitment companies since it floated in 1992.

Mr Derek Dewan, AccuStaff's president and chief executive, said: "Our combined cash position, together with credit facilities, gives us the liquidity to make strategic and even larger acquisitions. The pipeline is full and both companies will accelerate on a united front the acquisition programme before the merger is final."

Mr Michael Abney, the company's chief financial officer, said the company would look to acquire first more US information technology consultancies and recruitment agencies, and then a niche provider of professional services in the UK or continental Europe.

Shares in the Nasdaq-quoted AccuStaff fell $$\frac{5}{16}$ to 24\frac{15}{16}$, while Career Horizons, quoted on the NYSE, fell $⅝ to $36⅝ in early trading yesterday.

Canadian banks beat expectations

By Bernard Simon in Toronto

Bank of Montreal and Bank of Nova Scotia kicked off the Canadian banks' reporting season yesterday with a 14 and 22 per cent rise respectively in third-quarter earnings. In both cases the outcome was slightly above analysts' forecasts.

The improvement at Bank of Montreal was largely due to stronger investment banking business, which offset narrower margins.

Mr Matthew Barrett, chief executive, also ascribed the record earnings to recent diversification, including this year's purchase of a 16 per cent stake in Bancomer, one of Mexico's biggest financial services groups.

Foreign operations now contribute 45 per cent of BMO's earnings, up from 32 per cent two years ago.

Net earnings rose to C$300m (US$218.8m), or C$1.07 a share, in the three months to July 31, from C$264m, or 91 cents, a year earlier. Bancomer contributed C$17m to the latest figure.

Return on equity climbed from 16.2 per cent to 17.3 per cent. Assets grew 12 per cent to C$162.5bn on July 31.

Loan-loss provisions fell from C$50m to C$43m. The net non-performing loan portfolio shrank by C$225m in the latest quarter to C$489m.

Bank of Nova Scotia ascribed its advance to a broad-based improvement, including asset growth; gains from the sale of investment securities, higher underwriting fees and brokerage commissions.

Net earnings increased to C$275m, or C$1.04 a share, from C$225m, or 86 cents. Return on equity widened to 16 per cent from 14.2 per cent.

Loan-loss provisions dropped from C$128m to C$95m. Non-performing loans as a percentage of total loans are now at the lowest level since 1989.

Non-interest expenses surged almost 13 per cent, mainly reflecting a bigger payroll and a new incentive plan. But the bank said expenses as a percentage of total revenues remained unchanged.

Assets totalled C$158bn on July 31, up from C$136bn a year earlier.

Matthew Barrett: recent diversification behind the advance

Argentine gas group raises $255m

By Richard Lapper, Capital Markets Editor

Transportadora de Gas del Norte (TGN), Argentina's privatised gas company, has raised $255m in a so-called "single asset securitisation" deal designed to attract US institutional investors. The proceeds are being used to fund planned expansion of TGN's natural gas pipeline.

TGN sold some $215m of 12-year notes to two special purpose trusts, structured by the IFC, the private sector arm of the World Bank. The trusts then offered securities, backed by the notes, to US insurance companies and other institutions.

In addition, the IFC is purchasing from TGN an additional $40m of senior and subordinated convertible 13-year notes which it will hold on its own account.

The deal, signed by the IFC earlier this month, has been given an investment grade rating by Duff and Phelps and Standard & Poor's, making it available to a wider group of investors than would be able to buy conventional Argentine foreign currency bonds.

These are rated sub-investment grade by both agencies, as well as Moody's. The securitisation deal enjoys the same investment grade rating as Argentina's local currency debt, because holders of the paper should benefit from IFC's privileged access to foreign exchange.

The rating also reflects the underlying corporate credit quality of TGN.

ING Barings (US) and J.P. Morgan acted as placement agents for the trust certificates.

Computer Associates in Internet move

By Paul Taylor in New Orleans

Computer Associates, the US-based business software group, has set up a new Internet unit called NetHaven designed to help business customers create, manage and promote multimedia corporate World Wide Web sites.

At the same time CA, which is holding its annual three-day users' conference in New Orleans, announced a strategic partnership with National Directory Company which lists 500,000 US businesses in its Yellow Pages NDC Donnelley Directories.

The two companies plan to put the contents of the Yellow Pages on the Web, providing thousands of smaller and medium-sized US companies with an initial Web presence carrying basic information such as company name, address, contact particulars, one page of company-specific details and a fax-back service.

NDC customers will then be invited to upgrade to private Web sites with more sophisticated services such as online order-taking and secure credit card processing for an additional fee. CA plans to provide similar services elsewhere.

"We are betting that a large group of NDC directory customers will want to upgrade their Web listings once they realise just how much the World Wide Web can extend their core business technology for worldwide market reach," said Mr Ven Subbarao, general manager of CA's new NetHaven division.

The formation of the new unit, which will draw upon the group's existing database and enterprise management expertise, represents a significant push by CA into the Internet business market.

In particular CA, together with Fujitsu, the Japanese electronics group, has developed Jasmine, a sophisticated multimedia object-orientated database which enables users to create content-rich Internet and intranet applications including sound, video and graphics.

Separately CA announced new partnership agreements with Intel, the US semiconductor manufacturer, and Tandem Computers.

First of a new breed of telecoms operator

MFS WorldCom is set to spark an industry shake-out

The acquisition of MFS, a fast-growing US group specialising in telecommunications for business customers, had been anticipated for some months.

The surprise, when the deal was announced this Monday, was that the buyer was WorldCom, another aggressive US player, rather than one of the larger operators such as AT&T.

A second shock was the price. WorldCom agreed to exchange 2.1 of its shares for every MFS share, equivalent to a purchase price of about $14bn. This for a company which will turn over about $1bn this year, which lost $277m last year, and may not break even before 1997.

Analysts may be divided over whether such a huge premium is justified, but there is little dissent from the view that MFS WorldCom, the company formed as a consequence of the deal, represents the first of a new breed of telecoms operator distinguished by agile, entrepreneurial management, low-cost modern local and long-distance infrastructure, and access to the Internet.

MFS WorldCom will be free of the legacy of the past – overweight management structures, obsolete technology and the blinkered outlook which encumbers traditional operators. As such it represents a serious threat to its longer established competitors in the US, Europe and Asia.

Dr David Cleevly, chairman of Analysys, a UK-based telecoms consultancy, says: "Companies like MFS WorldCom can strike a major blow against existing telecoms operators by burrowing into their heartland and removing huge chunks of their business."

Mr Colin Williams, in charge of MFS's international operations says: "We are moving at a pace 10 times as fast as conventional operators."

The two companies complement each other well. WorldCom, the fourth-largest US long-distance carrier, obtained its high capacity network through the $2.5bn acquisition 18 months ago of WilTel, the telecoms arm of Williams Companies.

Over the past decade, WorldCom has acquired a large number of smaller long-distance companies, increasing the volume of calls on its lines and reducing its unit costs. Last year it had revenues of $3.64bn and net income of $267.7m, and reckons to be one of the most efficient US operators.

While WorldCom chiefly leases capacity from other operators, MFS builds its own infrastructure. Since 1987, it has laid fibre optic networks in more than 49 US cities. In Europe it has laid fibre rings around London, Frankfurt, Paris and Stockholm. Its customers include BP, NatWest Bank and the Stockholm options market.

Mr Bernard Ebbers, WorldCom's chief executive, says the deal will create: "The first full provider of business services" with the ability to carry calls "from the point of origination to the point of destination, internationally, over a single company's facilities".

What is perhaps more important is that MFS's fibre cables, which run directly to its customers' premises, give it control of the strategically important "local loop", the final connection between the exchange and the customer.

Companies which do not own their own infrastructure in the local loop are dependent on their competitors to transport and deliver calls.

The new group plans to create fibre networks in 45 financial centres around the world over the next five years, giving it access to a substantial proportion of the world's economic activity.

The deal is a direct consequence of the US Telecommunications Act, signed earlier this year, which swept away the regulatory barriers between long-distance and local operators and created a host of opportunities for new competitors. It has already led to a rash of mergers between "Baby Bells", the regional operating companies which hitherto controlled local telephony in the US.

The primary opportunity for MFS WorldCom will be the liberalised US market. Neither company yet derives a significant share of its revenues from the European market. But the merged company will be ideally placed to compete for the role of leading independent carrier in Europe after the regulatory barriers come down in January 1998.

And the price paid for MFS may cause some reassessment of the value of companies such as City of London Communications (Colt), and Mercury Communications, which, like MFS, have their own infrastructure in the local loop.

Alan Cane and Richard Waters

Resignation hits Rogers shares

By Bernard Simon

Shares in Rogers Communications dipped following news that the chief financial officer of Canada's biggest cable TV operator had quit.

Rogers, which is controlled by its founder Mr Ted Rogers, said Mr Graham Savage was leaving "to try something different" after 21 years with the company. The head of Rogers' cable TV arm quit earlier this year.

Rogers harboured ambitions to become a diversified multimedia conglomerate when it bought Maclean Hunter, a cable TV, newspaper and magazine group, in 1994. But it has recently moved to sell off non-cable businesses in an effort to pay down its C$4.7bn (US$3.43bn) debt.

Analysts have pinpointed Rogers' debt burden as a vulnerability in the race with telephone companies for dominance of Canada's telecommunications market.

Rogers has an advanced broadband cable network and one of the highest penetrations among cable TV companies in the world.

Rogers Class B shares have fallen in the past year from a peak of C$16.125 to a low of C$9.10 following news of Mr Savage's departure on Monday. They recovered slightly to C$9.25 at midday yesterday.

INFORMATION FROM THE BANK OF ENGLAND

GILT-EDGED CONVERSION OFFER
13½% TREASURY STOCK 2004-2008 INTO
8½% TREASURY STOCK 2005

The Bank of England announces an offer to convert holdings of 13½% Treasury Stock 2004-2008 into 8½% Treasury Stock 2005 on 26 September 1996 at a rate of £127.60 nominal of 8½% Treasury Stock 2005 per £100 nominal of 13½% Treasury Stock 2004-2008.

Registered holders of 13½% Treasury Stock 2004-2008 at the close of business on 19 September 1996 who have exercised the option to convert will be entitled to the full interest payment due on 26 September 1996, the stock's next interest payment date. However, an amount equal to 111 days accrued interest on 8½% Treasury Stock 2005 (in respect of the period from 7 June 1996, the previous interest payment date of this stock, to the date of conversion) will be deducted from the payment made, as consideration for the purchase of the accrued interest. 8½% Treasury Stock 2005 issued as a result of the conversion will be fungible with the existing stock from the conversion date, and will also qualify for the full dividend payable on 7 December 1996.

Holders who do not wish to convert any part of their holding should do nothing. Those holders who wish to assent to the terms of the conversion offer should await the conversion notice which is being sent to registered holders shortly. Holders uncertain as to the best course to follow should consult their stockbroker, bank manager, solicitor, accountant or other professional adviser.

Copies of the conversion notice and forms for the acceptance of the conversion offer may be obtained by post from the Registrar's Department, Bank of England, Conversions, Southgate House, Southgate Street, Gloucester, GL1 1UW; from National Savings, Bonds and Stock Office, Mythop Road, Blackpool, FY3 9YP; at the Central Gilts and Moneymarkets Office, Bank of England, Threadneedle Street, London, EC2R 8AH; at the Bank of Ireland, Moyne Buildings, 1st Floor, 20 Callender Street, Belfast, BT1 5BN; or at any office of the London Stock Exchange.

BANK OF ENGLAND
LONDON
27 August 1996

Citic surges with help of exceptionals

By Louise Lucas in Hong Kong

Citic Pacific, the Hong Kong listed arm of Beijing's flagship investment company, yesterday proposed paying shareholders a special dividend of 30 cents on top of a 16.5 cents interim dividend as it reported net profits of HK$4.99bn (US$645m) for the six months to June 30, more than three times the $1.4bn achieved at the halfway stage last year.

The results were lifted by $3.3bn worth of exceptionals, from the sale of stakes in Hongkong Telecom, the territory's dominant telecoms company, and Dragonair, Hong Kong's regional airline. The latter followed a restructuring in the aviation industry which saw CNAC, the airline arm of the Chinese aviation authority, take a 35.86 per cent stake in Dragonair, while Citic Pacific and Swire Pacific, the conglomerate which still controls the *de facto* flag carrier Cathay Pacific, each sold 17.66 per cent.

After the deal, finalised in June, Citic Pacific holds 28.5 per cent of Dragonair, a level which could drop further to 25 per cent when the planned public flotation of Dragonair goes ahead early next year. At the same time, it raised its stake in Cathay Pacific to 25 per cent from 10 per cent.

Separately, Citic Pacific reduced its holding in Hongkong Telecom from 10 per cent to 8 per cent. Excluding these exceptional profits, the underlying growth was 21 per cent.

The conglomerate, eager to shed its image as a holding company, has been focusing increasingly on infrastructure opportunities in Hong Kong and China. In the first half of the year – and excluding the exceptionals – 63 per cent of net earnings were derived from infrastructure and 19 per cent from property.

Earnings per share rose to HK$2.352 in the first half of 1996 from $0.698 at the halfway stage last year; stripping out exceptionals, earnings per share increased by 15 per cent. The interim dividend payout of 16.5 cents represents a 14 per cent improvement on the previous year's interim 14.5 cents.

Matsushita lifted by weaker yen

By Emiko Terazono in Tokyo

Matsushita, the leading Japanese consumer electronics group, returned to first-quarter profitability following heavy losses a year ago brought about by foreign currency losses from the sale of its 80 per cent stake in US entertainment group MCA.

Earnings in the three months to the end of June were lifted by brisk demand for mobile telephones and high-definition television sets, as well as the benefits of a weaker yen.

Group pre-tax profits for the quarter totalled Y50.7bn ($471m) against a loss of Y127.7bn in the corresponding period last year.

Consolidated turnover rose 13 per cent to Y1,719.6bn whilst the company posted net profits of Y18.5bn against a loss of Y151.3bn. Operating profits rose 50 per cent to Y44.4bn.

Domestic sales advanced 8 per cent to Y900.8bn, while overseas sales added 18 per cent to Y818.8bn. Sales of video equipment rose 17 per cent to Y300.1bn.

Electronic component sales fell 3 per cent to Y237.3bn. Sales of audio equipment rose 10 per cent to Y127bn.

● TDK, the world's largest maker of magnetic tapes, reported a sharp rise in first-quarter earnings. A surge in sales of its magnetic heads for high-capacity hard disk drives and semiconductor devices, multilayer chip capacitors, high frequency components and noise filters buoyed revenue.

Consolidated pre-tax profits for the three months to June rose 128.9 per cent to Y16.8bn due to a sharp rise of sales in Asia and the US. Group revenue rose 24.3 per cent to Y149.9bn while net profits tripled to Y9.9bn. Overseas sales rose 37.7 per cent to Y92.2bn.

NEWS DIGEST

Gujarat Ambuja moves ahead 47%

Gujarat Ambuja Cements appears set to consolidate its reputation as one of the most highly-rated Indian cement producers after reporting profits for the year to June higher than most market expectations. The company, a BSE 30 Index constituent, lifted its net profit by 47 per cent to Rs1.478bn ($414m) from Rs1.005bn.

Sales rose by 70 per cent to Rs7.3bn from Rs4.2bn as higher prices and the start of production at the company's new plant in Himachal Pradesh state helped lift sales volume to 3.1m tonnes from 2m tonnes. The company's operating profit margin more than doubled from 16 to 35 per cent. Mr J Gopalkrishnan, an analyst with brokers WI Carr, said GACL now had the highest operating profit margin in the Indian cement industry. The company's fourth cement plant, which will have a capacity of 1m tonnes a year, is expected to come on stream by December 1996, lifting total production capacity to 4.5m tonnes. Shares in GACL closed Rs3.25 higher at Rs309 yesterday.

Tony Tassell, Bombay

Hopewell shares drift lower

Shares in Hopewell Holdings drifted lower yesterday amid reports that the Hong Kong listed infrastructure and property group had scrapped plans to spin off its transport interests in a separate listing.

The mooted transport listing, to be called Consolidated Real Estate and Transport Asia (Creata), was announced in January as a means of reducing the company's large debt pile. The centrepiece of this spin-off is the south China superhighway and related roads and property.

Mr Gordon Wu, chairman, submitted a formal application to the Hong Kong Stock Exchange in January, stating that the intended listing would take place in 1998. It contained no guarantee that the reorganisation would go ahead and more sceptical brokers dismissed the plan – intended to eliminate Hopewell's then HK$9bn (US$1.16bn) debt through the private sale of shares in Creata – as a cheap means of stimulating interest in the company.

Shares in Hopewell Holdings yesterday fell 1.69 per cent to a low of HK$4.375, but recovered slightly to close the day down 5 cents at $4.40.

Louise Lucas, Hong Kong

ASX demutualisation vote

The Australian Stock Exchange has set October 18 as the date on which it will ask existing stockbroker members to vote on the organisation's innovative plan to demutualise.

The ASX hopes to persuade members to give it a mandate to seek federal legislation which would allow the ASX to convert from being a company limited by guarantee to one limited by shares. These shares, in turn, would be distributed to exchange members (except those admitted after July 5), and possibly listed in due course.

The demutualisation proposal would break the current legal tie between ownership/membership of the ASX and access to its trading facilities. At least 75 per cent of those voting would need to be in favour for the change to go ahead. Since federal legislation would be required, the conversion process would probably be quite long.

The announcement of the meeting date came as the ASX launched an "information package" it plans to market to members over the next two months. In this, it said that under the new arrangements, the ASX board would become answerable to shareholders, and would appoint management. New articles of association would be drawn up to "reflect the ASX's new commercial status".

Shares in the demutualised organisation could be held by anyone, but the ASX would recommend to the federal government that restrictions similar to those applying to banking groups be introduced. The ASX's role in supervising its stockmarket and overseeing listings would not change.

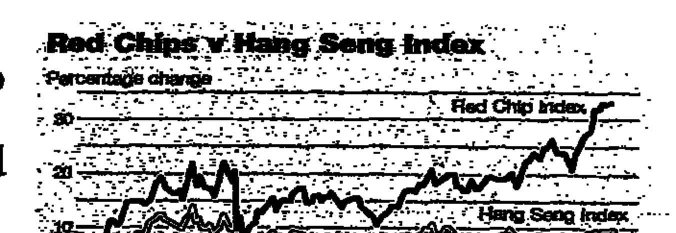
Further details of the restructuring plan came as the ASX announced an after-tax surplus of A$19.4m (US$15.3m) for the 12 months to end-June, up from A$14.6m in the previous year.

Nikki Tait, Sydney

Chinese turn to HK for funds

Mainland companies tap the colony's markets ahead of handover

Red Chips v Hang Seng Index



Red Chip fund raising activities

Company	Date	Fund Raising	Intended Use
Guangnan Holdings	25/6/96	Placing of 33m new shares to raise HK$145m	To fund supermarket chain expansion
Guangnan Holdings	28/6/96	Placing of 37m new shares to parent company	To purchase two food processing companies
China Overseas Land	18/7/96	Placing of 390m new shares to raise HK$780m	To fund acquisition of infrastructure projects and construction material manufacturers
China Travel	14/8/96	Placing of 379m new shares to raise HK$790m	To fund acquisition of a power plant and hotels
Guangdong Investment	20/8/96	Placing of 80m new shares to raise HK$418m	

Source: ING Barings

China's capital-hungry companies take little prompting when it comes to tapping the Hong Kong stock market. So an improvement in investor sentiment, underpinned by easing monetary conditions on the mainland, is prompting something of a gold-rush by China-backed businesses.

Last week, Hong Kong-listed Shanghai Petrochemical, China's largest petrochemicals concern, announced it was raising HK$1.04bn (US$130m) through a share placement. A few days earlier, Guangdong Investment, which is controlled by the dynamic southern province across the border from Hong Kong, raised more than HK$400m.

China Travel and China Overseas Land have been among the other mainland-backed companies to raise capital for expansion or to bolster their balance sheet over recent weeks. Few expect they will be the last.

The significance of such issues extends beyond the ambitions of mainland groups. Fund-raising in Hong Kong also reinforces the territory's role as the financial centre for China ahead of next year's transfer of sovereignty. "It is natural and important that Hong Kong develops its role as the source of mainland capital", says Mr Donald Tsang, Hong Kong's financial secretary.

But for investors, many with burned fingers from previous forays into Chinese stocks, the latest offerings present difficult questions about whether the current enthusiasm is justified and the best choice of investment. The issues range from H-shares, former state enterprises listed in Hong Kong, to "red chips", Hong Kong-based companies with substantial Chinese shareholdings, and domestic issues on the Shenzhen and Shanghai markets.

All have benefited from increased optimism about mainland economic prospects. Last week's cut in interest rates by the People's Bank of China, larger than the previous reduction in May, confirmed Beijing's loosening of monetary policy and its desire to support debt-laden state owned companies.

Although the upturn in the Chinese economy will take time to translate into corporate earnings, most believe the worst is over after 18 months of depressing results. "We have probably seen the trough", says Mr Wang Guohua, China analyst at SBC Warburg. "But we are looking at a slow recovery from a low base." He cautions that mainland companies in core industrial sectors, such as steel and chemicals, will continue to show the scars of weak demand – a warning borne out by first-half results for several H-share companies.

Recovery prospects, however, and the upturn in investor confidence are reflected in the various indices. Mr Chong Leong, China analyst at ING Barings, estimates that the 30 or so "red chips" have outperformed the main Hang Seng Index by more than 20 per cent since the beginning of the year, while the B-shares available to foreigners in Shanghai, and Shenzhen in particular, have also rallied. The Hang Seng China Enterprises Index, which charts the 21 H-shares, fell yesterday, partly because of the Shanghai Petrochemical placement, but it has been trading at its highest point since the end of May.

In the past, such gains have flattered to deceive, so analysts remain cautious. Mrs Ching Ju Yeh, a senior investment manager with HSBC Asset Management, says she is much more positive about prospects for H-shares, but will not raise their weighting in the funds she handles.

Her restraint reflects continued concerns about transparency and management at mainland companies. Tsingtao, for example, the brewer and the first company to issue H-shares, angered investors by failing to expand as projected in its 1993 listing prospectus and because of a lack of details concerning the use of funds.

Such concerns have steered many investors towards "red chips", which are registered and managed in Hong Kong. Many, such as Citic Pacific, are diversified conglomerates with strong mainland connections, increasing their attraction to investors. But with price-earnings ratios in the region of 12 or 13 times, they no longer come cheap. Mr Leong, at ING Barings, plays down the prospects of another 1994 crash but he believes their steam is now running out.

The same cannot be said about the volatile B shares in Shanghai and Shenzhen. Nor are they expensive, trading on P/E ratios of about eight and 10 times respectively. But neither are they liquid or transparent. "Disclosure is very poor, so selection is very important", says Mrs Ching at HSBC.

Candidates for selection in the B-share markets and in Hong Kong appear set to broaden rapidly. "There are a lot of companies with fund raising plans and now they see the window of opportunity", says the director of capital markets at one investment bank. "Investors are going to be spoiled for choice." But they are unlikely to get carried away: the disappointments of the past few years are a reminder that Chinese choices can also be spoiled.

John Ridding

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Disposal in line with strategy of focusing on core activity

Caradon to sell 15 units

By Simon London

Caradon, the UK building materials group, has agreed outline terms for the disposal of 15 engineering and distribution subsidiaries for £190m ($295m).

The move is in line with its strategy of concentrating on its core building products business.

The buyer is believed to be CINVen, the former British Coal venture capital company bought out by its management last October.

The deal would be the latest in a line of high profile transactions by CINVen, which was an unsuccessful bidder Westminster Press, the regional newspaper group being sold by Pearson, the media group and publisher of the Financial Times.

The companies being sold by Caradon had a combined turnover of £264m in 1995 and made pre-tax profits of £21m, after an adjustment for central costs and pension costs.

Their activities range from plastic mouldings to building materials distribution to the overhaul of aviation engines.

Caradon acquired some the businesses in 1993 as part of its £800m acquisition of Pillar, the industrial arm of RTZ, the mining and metals group.

The disposal price is roughly in line with the book value of the businesses in Caradon's accounts, including £80m of goodwill attributed on acquisition.

The deal will leave the group with a balance sheet free of debt.

Mr Peter Jansen, chief executive said that the businesses being sold were profitable but were no longer regarded as core activities.

"We have made a number of piecemeal disposals in the past but the opportunity arose to clear the decks in one go at a sensible price," he said.

Mr Jansen added that Caradon has no plans to sell its US security printing operation, its largest division outside of building products.

Caradon was hit last year by declining markets for building materials in the UK, US and Germany.

The downturn in continental Europe followed its acquisition in April 1996 of a 43 per cent stake in Weru, Germany's largest manufacturer of windows.

In March Caradon announced a 43 per cent decline in pre-tax profits to £114.3m for 1995, including a restructuring charge of £32m.

The group recently embarked on a cost cutting and rationalisation programme aimed at reducing its annual overheads by about £50m.

Buy-back possible at Hanson's US arm

By Tim Burt

Millennium Chemicals, the US chemicals arm of Hanson, yesterday raised the prospect of a share buy-back following its demerger from the British industrial conglomerate.

The company, a leading manufacturer of polyethylene and titanium dioxide products, said it would consider purchasing its own shares if it met its cashflow and debt reduction targets in the next five years.

Mr Bill Landuyt, chairman and chief executive of Millennium, warned investors that the company would adopt a conservative dividend policy – enabling it to preserve cash for investment and to repay borrowings. "Our pay-out will be around 60 cents a year. We are not a dividend yield stock, we are a growth company," he said.

Industry analysts, however, expressed scepticism that Millennium could contemplate a buy-back until it reduced its £1.3bn debt.

Mr Landuyt was speaking as Hanson prepared to publish listing particulars for Millennium and Imperial Tobacco, the companies due to be floated off in October.

The 300-page document, being sent to shareholders today, will shed further light on the financial performance and trading at the divisions. Details are likely to include the costs of the four-way demerger – expected to be about £100m. Most of the expenses are likely to go on tax and advisory fees to the lead banks.

Flat reaction to the rise of Bass Brewers

By Christopher Price

There was a muted response from the drinks industry yesterday to the merger of the brewing interests of Bass and Carlsberg-Tetley, announced at the weekend.

The deal, which creates the UK's biggest brewer, faces scrutiny from the Office of Fair Trading. Yesterday's subdued industry reaction will soothe the fears of Bass, Carlsberg and Allied Domecq, the merger participants, that the agreement could face referral to the Monopolies and Mergers Commission.

"This has been on the cards for so long that it was seen as inevitable," said Mr Alastair Arkley, chief executive of Century Inns, the pubs operator. "But if it helps strengthen the position of some of the new group's brands, then that is a good thing."

This view was shared by regional brewers Greene King, Shepherd Neame, Charles Wells and Fullers. Mr David Morrison, finance director of Belhaven, the Scottish brewer, said: "It's up to the likes of us to provide the alternative to the big players."

However, Mr Morrison did voice concern over the bargaining power of Bass Brewers which will control 35 per cent of the supply of UK beer and lager. It and Scottish & Newcastle will account for nearly 70 per cent.

S&N's takeover of Courage last year was approved by the competition authorities after it agreed to sell 115 pubs and untie 1,000 others. Bass, which has more than 4,000 pubs, may have to make similar concessions.

Belhaven directors will decide this week whether to raise their concerns with the OFT. None of the other companies intend to complain.

Bass is paying Allied Domecq £200m ($310m) for its half-share in Carlsberg-Tetley. The Danish brewer will pay £20m for a 20 per cent stake in Bass Brewers.

Allied, which is to concentrate on its non-brewing businesses, will incur a loss on the disposal of £320m. Most will be accounted for through a goodwill write-off, although a £63m provision will cover the cost of supplying its 4,000 pubs with Carlsberg-Tetley beers at artificially high prices.

In the year to August 1995, Carlsberg-Tetley made trading profits of £52m on sales of £1.05bn. Profits increased 14 per cent to £35m in the half-year to February.

Norman goes part-time as Asda chairman

By Christopher Price

Asda surprised the City yesterday by announcing that Mr Archie Norman, the chief executive credited with turning around the UK's fourth biggest supermarket group, is to take the part-time post of chairman.

The move immediately prompted speculation over his long-term future. Mr Norman, 42, has made no secret of his interest in pursuing a political career and has close ties with the Conservative Party.

However, his success at reviving Asda will also make him the target for high-profile corporate appointments. He is currently a non-executive director of Railtrack, the privatised rail network group.

Mr Allan Leighton, 43, Asda's deputy chief executive, will succeed Mr Norman. Both men will take up their positions after the annual meeting in September, although Mr Norman will be chairman-designate until the retirement of the current incumbent, Mr Patrick Gillam, 63, in December.

Mr Norman said he was examining a "variety of options" for his long-term future. "Politics is obviously one of the things I shall be giving some thought to".

He has been on the Conservative Party's approved list of potential candidates for 15 years and Tory central office confirmed yesterday that vacancies still existed.

Mr Norman was more keen to underline his continuing commitment to Asda. "I shall be putting in as much time as it takes to create an exceptional business. Going forward is going to be a long hard slog."

Mr Norman joined Asda from Kingfisher in 1991 when the Leeds-based group was in danger of collapsing under the weight of £1bn of debt.

Together with Mr Leighton who joined a year later from Pedigree Foods, they set about transforming Asda, reinforcing its image as a value-for-money fresh food chain, revamping its 200 stores and selling off peripheral businesses.

From losses of £365m in 1992, pre-tax profits last year rose to £304m on turnover of £6bn, and like-for-like sales growth was the best in the industry. The share price has risen in the same period from 23p to yesterday's close of 115.5p, down 4p on the day.

Mr Norman has been well paid for his services. Last year, he received £3.69m in pay and options.

Yesterday, he admitted that the challenge of the job had diminished. "There's nothing quite like the excitement of coming into a situation at the beginning, like at Asda. But the changes we are making today are the right ones for the next stage of the group's development."

Mr Leighton insisted: "Archie will still have a strong role to play in the business." His new post would enable him to concentrate on more strategic issues, he added.

Guardian

Allan Leighton: revamped the stores with Archie Norman

New lines and improved margins assist Astec

By Jane Martinson

Improved margins and new products helped Astec (BSR), the Hong Kong-based electronics group, lift interim pre-tax profits 32 per cent to £13.1m ($20.3m).

Lower costs combated a second quarter slowdown in personal computer sales and signs of destocking in the components market.

Mr David Farr, chief executive of the London-listed company, said the two markets would "stay slow for the second half". However, forecast annual sales growth of about 15 per cent for the latter – down from last year's 25 per cent – was still "substantial".

The company, in which Emerson, the US power group holds a 49 per cent stake, intends to continue to make savings. "In this industry you have to stay ahead of the price:cost curve or you die," said Mr Farr.

Total sales rose 14 per cent to £199m in the six months to June 30, while operating profits improved 32 per cent to £12.5m. Margins of 6.3 per cent were up almost 1 percentage point.

Costs in the customer power division were halved following last year's head office move from Hong Kong to the Philippines. The group is also shifting some production facilities from higher-cost Malaysia to China.

Sales of power conversion products rose by 17 per cent to £158m, while operating profits improved 37 per cent to £9.8m. Electronic components sales rose almost 5 per cent to £41m and operating profits 15 per cent to £2.7m.

RESULTS

		Turnover (£m)		Pre-tax profit (£m)		EPS (p)		Dividends: Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Astec (BSR)	6 mths to June 30	199.1	(174.3)	13.1	(9.92)	3.32	(2.6)	0.63	Nov 5	0.5	-	1.5
Avonmore Foods ♣	6 mths to June 29	635.8	(596.7)	13.1	(11.8)	6.11	(5.5)	1.9	Oct 9	1.75	-	4.1
Dmatek $ϕ	6 mths to June 30	0.88	(0.165)	1.84L	(1.86L)	9L†	(14L)	-	-	-	-	-
Irish Permanent ♣	6 mths to June 30	127.9☐	(128.9☐)	23.3	(19.9)	19.4	(16.7)	4	Oct 24	3.5	-	10.5
Nash (William)	6 mths to July 1	4.59	(4.78)	1.52	(1.45♥)	12.67	(12.27)	2.6	Sept 23	2.5	-	6.7
Reflex ♣§	6 mths to June 30	1.76	(2.33)	0.19	(0.015♠)	0.6	(0.05)	-	-	-	-	-
Sanderson Bramall	6 mths to June 30	319.2	(245.2)	6.13	(4.26)	12.2	(8.7)	1.6	Nov 1	1.33	-	4
Television Corp	6 mths to June 30	11.4	(5.08)	1.05	(0.284)	4	(3.4)	1	Oct 7	1.5	-	4
Zetters	53 weeks to Mar 31	19.7	(23.3)	1	(1.26)	10.1	(12.8)	5	Oct 4	5	10	10

Investment Trusts		NAV (p)		Attributable Earnings (£m)		EPS (p)		Current payment (p)	Date of payment	Corresponding dividend	Total for year	Total last year
Gartmore Shared	3 mths to July 31	75.4	(88.2♦)	1.14	(0.84)	1.72	(1.87)	2.475	Sept 30	2.4	-	9.6
M&G Income	6 mths to July 31	71.21	(74.8)	8.94	(7.2)	3.6	(2.9)	1.1‡	Oct 18	1.05	-	5.25
M&G Recovery	3 mths to June 30	76.67	(68.3)	2.42	(1.94)	1.79	(1.43)	1	Sept 25	0.85	-	5.3
Thompson Clive	6 mths to June 30	426.3	(273.3)	0.262	(0.165)	1.9	(1.2)	-	-	-	-	3.8

Earnings shown basic. Dividends shown net. Figures in brackets are for corresponding period. ♣Irish currency. $US currency. ☐Interest income. ♠After exceptional charge. ♥After exceptional credit. †On increased capital. ϕAim stock. §USM stock. ♦At April 30. ‡Second interim; makes 2.15p to date.

Bearish sentiment hits high yielders

By Samer Iskander in London and Lisa Bransten in New York

Two bearish sessions for US Treasuries, a weaker dollar on the foreign exchange market, and supply of $31.25bn yesterday and today weighed on European bonds, hitting high-yielders most.

"The negative orientation of the US market is expected to continue affecting all other international financial markets," said analysts at BfP-Dresdner Bank in Paris.

■ Italian bonds were dragged down by overnight losses in US Treasuries, while the lira fell against the D-Mark. Liffe's September BTP future settled at 115.45, down 0.48, after reaching a low of 114.88, as the lira recovered to around L1,023 to the D-Mark, from L1,025 earlier in the session.

In the cash market, the 10-year yield spread over bunds widened by 4 basis points to 321 points. Observers remain bearish on the near future: "Conditions are going to remain more favourable for players geared up for divergence trades," said Bear Stearns economists.

■ German bonds also closed lower. Liffe's September bund future settled at 97.32, down 0.14, but off its intra-day low of 97.08. Analysts said bunds could outperform other European bonds in coming weeks, benefiting from their safe-haven status ahead of the budget season.

■ French bonds fell in line with the German market. The Matif's September notional contract closed 0.18 lower at 123.12, while the September future on three-month Pibor rates fell 0.13 to 95.86. Traders were edgy as unions met to discuss possible strikes to protest against spending cuts and job losses in the forthcoming budget.

Analysts said the political and social uncertainty was likely to maintain a bearish mood in the OAT market in coming weeks.

GOVERNMENT BONDS

■ UK gilts also ended a quiet session slightly lower. Liffe's September long gilt future settled at 107¾, down ⅛. Traders said the main event of the week will be today's auction of £2.5bn of 10-year gilts.

"The auction should go smoothly, thanks to the stability of sterling [while other European currencies weakened against the D-Mark]", one gilt analyst predicted.

■ US Treasury prices were stronger, but off their session highs by midday as traders awaited the results of the afternoon auction of two-year notes.

In early trading, the benchmark 30-year Treasury was up nearly half a point, recovering some of Monday's losses. At mid-morning, however, bonds began to slide after the Conference Board reported that its index of consumer confidence rose to 109.4 in August from 97.3 in July. Economists had expected a figure closer to 105.

At midday the long bond was [illegible] stronger at 97[illegible] to yield 6.970 per cent, while the two-year note was up [illegible] at 100[illegible], yielding 6.142 per cent, and the September 30-year bond future was [illegible] higher at 106[illegible].

Ms Lynn Franco, associate director of the Conference Board's Consumer Research Center, said "the surge in confidence in July, coupled with the August advance, suggests that consumer attitudes may be on an upward trend after remaining stagnant for more than a year".

The Treasury was due to auction $18.75bn in two-year notes yesterday and $12.5bn in five-year notes today.

● The Bank of England released details of the gilt conversion offer announced on August 13. Holders of 13¾ per cent Treasuries due 2004-08 will be able to convert them into 8½ per cent gilts due 2005 at £127.60 nominal of 2005 bonds for £100 nominal of 2004-08 bonds. Settlement will be on September 26. The Bank says the "offer is part of a programme to build up a pool of strippable stock ahead of the introduction of the gilt strips facility".

Surge in issuance by developing countries

By Samer Iskander

Low yields on traditional investments and the availability of ample liquidity have favoured the issuance of emerging market debt in the second quarter of 1996, according to the Bank for International Settlements.

"New sovereign names have appeared in the eurobond markets ... while the market opened further to financial institutions from developing countries," the BIS said in its latest quarterly report. "At some $20bn, total net new issues by developing country borrowers were the highest ever recorded."

Estonia was one of the new arrivals, along with Israel, which launched its first issue not guaranteed by the US government.

The report also warned that although exposure to market risk had been reduced by shortening the weighted average maturity of fixed-rate issues, the search for yield had led to "greater tolerance for credit risk".

"There was strong demand throughout the quarter for high-coupon paper, often leading emerging market borrowers to launch larger issues than initially announced," the BIS said.

Another salient factor in the second quarter was the increased reliance on shelf-type issuance, with 58 per cent of total net new securities taking place through the euronote market.

However, the BIS warned, "the trend towards the establishment of borrowing programmes ... will considerably reduce the information content of standard bond data".

Strong demand brings sharp drop in margins

By Conner Middelmann and Richard Lapper

Activity in the syndicated loans market has begun to pick up, with borrowers and bankers returning from their summer holidays.

In the UK, a £1.2bn jumbo loan is being put together for Mercury Personal Communications, the company that operates the Mercury One-2-One mobile phone franchise.

SYNDICATED LOANS

Citibank, HSBC Investment Bank and Banque Paribas are assembling an underwriting group and expect to launch the deal next month.

Pricing on the eight-year facility is expected to be about 150 basis points over Libor, the same as on the £600m seven-year loan for Mercury last November.

The Middle East has been another focus of activity in recent weeks, driven by banks' hunger for loans offering better returns than the wafer-thin margins available in the European market. However, here too, strong demand has caused spreads on loans to converge, with several bankers complaining of aggressive pricings on recent deals.

One new transaction is a $70m refinancing operation for Aluminium Bahrain launched last Friday. The five-year facility, which is being arranged by Sumitomo Bank, is the most tightly priced deal yet for Alba at a margin of 37.5 basis points over Libor. Some bankers felt the deal was too aggressively priced, but others said banks' appetite for higher-yielding assets would probably lend it sufficient support.

Raising even more eyebrows was a $150m term loan for Israeli telecommunications company Bezeq, which is considered so aggressively priced that several banks have declined to take part. The five-year deal pays 30 basis points over Libor – substantially less than the 45 basis points on a five-year facility for Bezeq last year. Moreover, the commitment fee of 22.5 basis points was not considered sufficient to compensate for the low interest margin.

"Bezeq is a good name and its previous two deals have gone very well, but this drop [in the margin] is too sharp," said one banker. The loan is being arranged by Credit Suisse and Sumitomo Bank.

In Scandinavia, two large transactions are rumbling into gear: Trelleborg, the Swedish mining, metals and rubber group, launched a $600m revolving credit facility via Deutsche Morgan Grenfell, Enskilda and Handelsbanken, paying 20 basis points over Libor for the first five years and 22.5 points thereafter. The commitment fee is 10 basis points rising to 11.25 points.

Vattenfall, the Swedish power company, is expected to return to the market with a $1bn seven-year facility to refinance an outstanding $500m loan and raise new funds. It paid 18.75 basis points on a previous five-year facility, with a commitment fee of 9.375 points.

But observers feel the terms could get even tighter, approaching levels recently achieved by Sweden's Telia on a seven-year facility, which pays 15 basis points for the first five years, rising to 17.5 points, and a commitment fee of 6.25 basis points, rising to 7.5 points.

Tokyo Electric Power plugs into French francs

By Conner Middelmann

Tokyo Electric Power made its first foray into the French franc sector yesterday, the first of several Japanese borrowers expected to tap the eurobond sector in the coming days.

INTERNATIONAL BONDS

Its large FFr4bn offering reopened the French franc 10-year sector after the summer lull, and saw healthy buying from domestic institutions, notably life insurance companies, said an official at lead manager Banque Paribas.

However, he added that non-French take-up had been disappointing and was likely to account for only around 20 per cent of placement.

A number of other Japanese issuers are thought to be waiting in the wings. Kansai Electric Power is said to be planning a $500m 10-year offering this week, while Kansai International Airport has been rumoured for weeks to be planning a $200m to $250m issue of 10-year bonds.

Moreover, Japan Finance Corporation for Small Business, a government-guaranteed borrower, is set to launch a DM350m three-year transaction via joint leads Bank of Tokyo-Mitsubishi and Deutsche Morgan Grenfell. Spread talk is around 10 basis points over German government notes.

Elsewhere, Crédit Local de France set a new benchmark in the Ecu sector with an Ecu400m issue of five-year bonds, the largest Ecu offering since an Ecu500m transaction for the European Investment Bank in March.

An official at lead manager Banque Paribas said most of the bonds were placed with institutions in continental Europe, but added that he expects much of the paper to flow into retail accounts eventually.

"It's likely to be similar to the EIB's deal – that was first placed with institutional investors but when an increasing retail bid caused the spread to tighten, institutions took profits and now most of it is held by retail investors."

Like Crédit Local's bonds, the EIB's paper was priced at a spread of 2 basis points over the Ecu-denominated French government note, but currently trades between 15 and 20 basis points through that benchmark, he said.

Elsewhere, the Kingdom of Denmark launched $150m of 5.45 per cent two-year bonds via joint book-runners Kankaku Europe and DKB International, aimed at Japanese retail investors.

New international bond issues

Borrower	Amount m.	Coupon %	Price	Maturity	Fees %	Spread bp	Book-runner
■ US DOLLARS							
Kingdom of Denmark★	150	5.45	100.00	Sep 1998	1.00	-	DKB Intl/Kankaku(Europe)
LW Rentenbank	75	(a)	100.35R	Oct 2000	0.225R	+12(6%-99)	Kredietbank Intl Group
■ YEN							
SBAB(b)★	18bn	6.00#	100.00	Mar 1999	1.60	-	IBJ Intl/Wako Intl(Europe)
■ FRENCH FRANCS							
Tokyo Electric Power Co	4bn	6.50	99.403R	Sep 2006	0.325R	+15(‡)	Banque Paribas
■ LUXEMBOURG FRANCS							
Argenta Nederland	2bn	4.90	100.00	Sep 1999	1.375	-	BCEE
■ ITALIAN LIRE							
Crédit Local de France(c)	400	6.00	99.79R	Sep 2001	0.25R	+2(‡)	Banque Paribas

Final terms, non-callable unless stated. Yield spread (over relevant government bond) at launch supplied by lead manager. ★Unlisted. #Semi-annual coupon. R: fixed re-offer price; fees shown at re-offer level. a) 5% to 10/10/98, then 8½%. b) Redeemed in A$. c) ISDA/IPMA standard Ecu clause. ‡ Over interpolated yield.

WORLD BOND PRICES

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Day's change	Yield	Week ago	Month ago
Australia		6.750	11/06	90.4760	-0.260	8.14	7.93	8.57
Austria		6.250	05/06	98.4700	+0.040	6.38	6.26	6.47
Belgium		7.000	05/06	102.5700	+0.170	6.63	6.59	6.81
Canada *		7.000	12/06	97.4600	-0.180	7.36	7.24	7.74
Denmark		8.000	03/06	104.5400	-0.020	7.31	7.21	7.39
France	BTAN	5.500	10/01	99.3750	-0.130	5.64	5.58	5.64
	OAT	7.250	04/06	105.8100	-0.170	6.42	6.33	6.49
Germany Bund		6.250	04/06	99.0700	+0.180	6.38	6.26	6.49
Ireland		8.000	08/06	102.8500	-0.020	7.58	7.51	7.66
Italy		9.500	02/06	100.7300	+0.040	9.38†	9.33	9.47
Japan	No 140	6.600	06/01	119.5757	-0.250	2.11	2.18	2.43
	No 182	3.000	09/05	98.9788	-0.210	3.15	3.13	3.37
Netherlands		8.500	06/06	115.3100	+0.060	6.34	6.23	6.44
Portugal		11.875	02/05	118.9500	+0.050	8.61	8.66	8.67
Spain		8.800	04/06	99.5800	+0.280	8.84	8.92	8.83
Sweden		6.000	02/05	87.7323	+0.110	8.05	8.02	8.43
UK Gilts		8.000	12/00	103-15	-5/32	7.04	7.00	7.17
		7.500	12/06	97-09	-10/32	7.89	7.78	7.95
		9.000	10/08	107-12	-17/32	8.03	7.91	8.06
US Treasury *		7.000	07/06	101-19	-1/32	6.78	6.55	6.87
		6.750	08/26	97-06	-3/32	6.97	6.80	7.05
ECU (French Govt)		7.500	04/05	104.1900	-0.120	6.83	6.75	6.93

London closing, *New York mid-day. Yields: Local market standard.
† Gross (including withholding tax at 12.5 per cent payable by nonresidents)
Prices: US, UK in 32nds, others in decimal. Source: MMS International

US INTEREST RATES

Latest		Treasury Bills and Bond Yields			
		One month	-	Two year	6.16
Prime rate	8¼	Two month	-	Three year	6.35
Broker loan rate	7	Three month	5.20	Five year	6.55
Fed.funds	5$\frac{3}{16}$	Six month	5.36	10-year	6.77
Fed.funds at intervention	-	One year	5.75	30-year	6.97

BOND FUTURES AND OPTIONS

France

■ NOTIONAL FRENCH BOND FUTURES (MATIF) FFr500,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	123.18	123.12	-0.18	123.30	123.06	188,992	[illegible]
Dec	121.78	121.78	-0.14	121.90	121.76	8,023	40,058
Mar	121.60	121.62	-0.12	121.72	121.60	493	9,552

■ LONG TERM FRENCH BOND OPTIONS (MATIF)

[illegible]

Germany

■ NOTIONAL GERMAN BUND FUTURES (LIFFE)* DM250,000 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	97.12	97.32	-0.14	97.44	97.08	183989	190344
Dec	96.18	96.39	-0.11	96.49	96.13	23712	44974

■ BUND FUTURES OPTIONS (LIFFE) DM250,000 points of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
9600	0.72	0.98	1.19	1.09	0.33	0.59	0.80	1.65
9650	0.44	0.70	0.91	0.87	0.55	0.81	1.02	1.93
9700	0.23	0.48	0.67	0.69	0.84	1.09	1.28	2.25

Est. vol. total, Calls 13994 Puts 8465. Previous day's open int., Calls 88739 Puts 86403

Italy

■ NOTIONAL ITALIAN GOVT. BOND (BTP) FUTURES (LIFFE)* Lira 200m 100ths of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	115.23	115.45	-0.48	115.60	114.88	41896	51935
Dec	114.30	114.72	-0.47	114.86	114.30	2455	11359

■ ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS (LIFFE) Lira200m 100ths of 100%

Strike Price	Calls Dec	Calls Mar	Puts Dec	Puts Mar
11450	1.86	2.34	1.35	2.82
11500	1.58	2.11	1.86	2.89
11550	1.32	1.90	2.10	3.18

Est. vol. total, Calls 2500 Puts 3535. Previous day's open int., Calls 44831 Puts 63065

Spain

■ NOTIONAL SPANISH BOND FUTURES (MEFF)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	100.40	100.53	+0.37	101.40	100.33	60,182	53,607
Dec	99.95	100.40	+0.36	100.50	99.85	1,218	6,058

UK

■ NOTIONAL UK GILT FUTURES (LIFFE)* £50,000 32nds of 100%

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	107-08	107-04	-0-11	107-10	107-00	54825	119763
Dec	106-13	106-15	-0-09	106-20	106-10	24061	31451

■ LONG GILT FUTURES OPTIONS (LIFFE) £50,000 64ths of 100%

Strike Price	Calls Oct	Calls Nov	Calls Dec	Calls Mar	Puts Oct	Puts Nov	Puts Dec	Puts Mar
106	0-61	1-22	1-42	1-60	0-61	0-56	1-12	2-08
107	0-31	0-53	1-09	1-32	1-01	1-23	1-43	2-44
108	0-11	0-30	0-48	1-06	1-45	2-00	2-16	3-20

Est. vol. total, Calls 786 Puts 505. Previous day's open int., Calls 12216 Puts 11449

Ecu

■ ECU BOND FUTURES (MATIF) ECU100,000

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	91.80	91.80	-0.10	91.86	91.74	2,430	7,021
Dec	-	89.98	-0.10	90.04	89.98	881	1,370

US

■ US TREASURY BOND FUTURES (CBT) $100,000 32nds of 100%

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	108-21	109-02	+0-14	109-04	108-19	250,486	357,315
Dec	108-05	108-18	+0-14	108-20	108-06	79,587	93,113
Mar	108-00	108-04	+0-14	108-05	108-00	1,887	7,289

Japan

■ NOTIONAL LONG TERM JAPANESE GOVT. BOND FUTURES (LIFFE) Y100m 100ths of 100%

	Open	Close	Change	High	Low	Est. vol	Open int.
Sep	120.67			120.70	120.65	3286	0
Dec	119.27			119.28	119.13	4389	0

* LIFFE futures also traded on APT. All Open interest figs. are for previous day.

FT-ACTUARIES FIXED INTEREST INDICES

Price Indices UK Gilts	Tue Aug 27	Day's change %	Fri Aug 23	Accrued interest	xd adj. ytd		Low coupon yield Aug 27	Aug 23	Yr. ago	Medium coupon yield Aug 27	Aug 23	Yr. ago	High coupon yield Aug 27	Aug 23	Yr. ago
1 Up to 5 years (22)	121.58	-0.11	121.71	1.98	6.91	5 yrs	7.15	7.11	7.67	7.28	7.19	7.68	7.29	7.26	7.76
2 5-15 years (20)	147.83	-0.20	148.13	2.98	6.83	15 yrs	8.11	8.09	8.13	8.12	8.09	8.16	8.14	8.09	8.27
3 Over 15 years (8)	160.28	-0.41	160.94	2.43	8.73	20 yrs	8.20	8.19	8.15	8.22	8.18	8.19	8.23	8.16	8.29
4 Irredeemables (6)	184.68	-0.60	185.79	3.53	7.36	Irred.†	8.26	8.20	8.24						
5 All stocks (56)	142.19	-0.21	142.49	2.53	7.27										

Index-linked							Inflation 5% Aug 27	Aug 23	Yr. ago	Inflation 10% Aug 27	Aug 23	Yr. ago
6 Up to 5 years (1)	200.04	-0.01	200.08	3.00	4.43	Up to 5 yrs	2.06	2.06	2.79	0.40	0.36	0.98
7 Over 5 years (11)	189.94	-0.19	189.22	1.04	3.43	Over 5 yrs	3.68	3.67	3.54	3.47	3.45	3.35
8 All stocks (12)	189.05	-0.18	189.43	1.00	3.44							

Average gross redemption yields are shown above. Coupon Bands: Low: 0%-7¾%; Medium: 8%-10¾%; High: 11% and over. † Flat yield. ytd Year to date.

FT FIXED INTEREST INDICES

	Aug 27	Aug 23	Aug 22	Aug 21	Aug 20	Yr ago	High*	Low*
Govt. Secs. (UK)	93.51	93.07	93.26	93.14	93.33	93.45	96.34	91.59
Fixed Interest	113.51	113.59	113.64	113.68	113.75	112.13	115.23	110.74

* for 1996. Government Securities high since compilation: 127.4 (09/01/35), low 49.18 (03/01/75). Fixed Interest high since compilation: 133.87 (21/01/94), low 50.53 (03/01/75). Basis 100: Government Securities 15/10/26 and Fixed Interest 1928. SE activity indices rebased 1974.

GILT EDGED ACTIVITY INDICES

	Aug 23	Aug 22	Aug 21	Aug 20	Aug 19
Gilt Edged bargains	77.6	78.4	90.1	78.4	74.4
5-day average	79.8	79.2	77.9	74.9	75.6

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Latest prices at 7:00 pm on August 27

US DOLLAR STRAIGHTS; SWISS FRANC STRAIGHTS; YEN STRAIGHTS; OTHER STRAIGHTS; DEUTSCHE MARK STRAIGHTS; FLOATING RATE NOTES; CONVERTIBLE BONDS

[illegible]

STRAIGHT BONDS: The yield is the yield to redemption of the bid-price; the amount issued is in millions of currency units. Chg. day=Change on day. FLOATING RATE NOTES: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. Spread=Margin above six-month offered rate (three-month §above mean rate) for US dollars. C.cpn=The current coupon. CONVERTIBLE BONDS: Denominated in dollars unless otherwise indicated. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

UK GILTS PRICES

[illegible]

● "Tap" stock. ‡‡ Tax-free to non-residents on application. E Auction basis. xd Ex dividend. Closing mid-prices are shown in pounds per £100 nominal of stock. Prospective real Index-Linked redemption yields are calculated by HSBC Greenwell from Bank of England closing prices.

CURRENCIES AND MONEY

MARKETS REPORT

Dollar and D-Mark remain calm, despite talk

By Richard Adams

Despite market speculation that the German D-Mark would strengthen and the US dollar would weaken, both the dollar and the D-Mark stayed within narrow ranges on the currency markets yesterday.

The dollar, which suffered a sharp fall on Monday, was little affected by news of the US Conference Board report that August's consumer confidence index surged to 109.4, from a revised reading of 107.0 in July. Many analysts had expected the index to fall to below 107. Against the D-Mark, the dollar was unmoved at DM1.478 from the previous London close.

The yen was unable to stay above Y108 against the dollar. But dealers said it looked comfortable trading at Y107.7, slightly weaker than the previous closing price of Y107.6, ahead of the release today of the Bank of Japan's tankan, its quarterly index of economic data.

Meanwhile, the D-Mark's value was expected to have received a boost following another round of queries over the timing and likelihood of the proposed European monetary union.

Comments by senior Italian and German officials over recent days had reopened debate over the possibility of a delay in the Emu timetable or a dilution of criteria for membership.

In the end the D-Mark gained a little from the Emu speculation, ending up against the pound at DM2.299, from DM2.302.

The French franc and the Italian lira again looked a little soft in trading in Europe. The lira fell to L1,023 against the D-Mark, down from L1,022, while the franc lost half a centime, to end at FFr3.421 from FFr3.416.

The Swiss franc lost ground against the dollar, falling from SFr1.192 to SFr1.193. But any further gains by the dollar against the franc will be difficult since resistance is solid at SFr1.196, dealers said. The D-Mark strengthened against the Swiss franc to DM1.238, up from DM1.240.

■ Attention turns today to the Bank of Japan and the release of the August tankan, a quarterly measure of business conditions.

Analysts at Standard Chartered in London say the August tankan diffusion index may show a more moderate growth trend, after a sharp pick-up in capital spending and business confidence in May's tankan.

Mr Tim Fox, treasury economist at Standard Chartered in London, said: "The chances are that the tankan's manufacturing diffusion index will recover back into positive territory in August from the minus 3 per cent reading in May. But business managers will likely remain nervous about the rest of the year, unwilling to precipitate a Bank of Japan rate tightening."

More Japanese economic data will be released over the next two days, including July retail sales tomorrow, and unemployment on Friday.

■ French interest rate futures fell back yesterday, following intensified doubts about France's ability to cut its budget deficit in order to qualify for Emu.

The worries came on the back of concerns that France's second quarter GDP report, to be released next week, will show underlying economic weakness.

The September notional and Pibor contracts closed near their lows. The September notional contract settled at 123.12, two ticks higher than the closing price.

The franc fell as low as FFr3.4235 against the D-Mark, before recovering to FFr3.421.

Further worries for the franc came when France's largest labour union, the moderate Confederation Generale du Travail (CFDT), forecast "tension and conflict."

Ms Nicole Notat, the CFDT leader, told Le Monde that people were increasingly restless in the face of rising unemployment.

In the run-up to the 1997 budget to be presented in September, Ms Notat said the most contentious aspects was the shedding of 7,000 civil service jobs.

■ The Bank of Finland yesterday said it was lowering its base rate to 4 per cent from 4.50 per cent from September 16.

D-Mark
Against the dollar (DM per $)
Source: Datastream

■ Pound in New York

Aug 27	--Latest--	-- Prev. close --
£ spot	1.5530	1.5575
1 mth	1.5525	1.5530
3 mth	1.5527	1.5529
1 yr	1.5515	1.5588

■ OTHER CURRENCIES

Aug 27	£	$
Czech Rp	40.7162 - 40.7656	26.1790 - 26.1990
Hungary	234.508 - 234.692	150.780 - 150.830
Iran	4668.00 - 4665.90	3000.00 - 3000.00
Kuwait	0.4649 - 0.4659	0.2989 - 0.2994
Poland	4.2460 - 4.2525	2.7300 - 2.7330
Russia	8327.08 - 8335.49	5354.00 - 5357.00
U.A.E.	5.7103 - 5.7160	3.6715 - 3.6735

POUND SPOT FORWARD AGAINST THE POUND

Aug 27		Closing mid-point	Change on day	Bid/offer spread	Day's Mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	Bank of Eng. Index
Europe													
Austria	(Sch)	16.1750	-0.0208	664 - 836	16.2159	16.1598	16.1438	2.3	16.0688	2.6	-	-	105.4
Belgium	(BFr)	47.3657	-0.0248	433 - 880	47.4260	47.2870	47.2707	2.4	47.0807	2.4	46.3107	2.2	107.4
Denmark	(DKr)	8.8813	-0.0089	777 - 848	8.8951	8.8669	8.8675	1.9	8.8472	1.5	8.7394	1.6	108.2
Finland	(FM)	6.9706	-0.0098	643 - 766	6.9880	6.9600	6.9662	0.8	6.9581	0.7	-	-	85.3
France	(FFr)	7.8849	+0.0019	820 - 678	7.8814	7.8495	7.8506	2.2	7.8267	1.9	7.7198	1.8	108.8
Germany	(DM)	2.2987	-0.0031	976 - 998	2.3053	2.2961	2.2938	2.6	2.2841	2.5	2.242	2.5	109.5
Singapore	(S$)	2.1904	-0.0027	883 - 924	2.2097	2.1879	-	-	-	-	-	-	-
South Africa	(R)	7.0355	-0.0165	300 - 409	7.0633	7.0253	-	-	-	-	-	-	-
South Korea	(Won)	1274.08	+0.22	364 - 452	1277.40	1273.45	-	-	-	-	-	-	-
Taiwan	(T$)	42.7384	-0.0433	256 - 511	42.8520	42.7181	-	-	-	-	-	-	-
Thailand	(Bt)	39.3191	-0.0496	024 - 357	39.4140	39.3000	-	-	-	-	-	-	-

1 Rates for Aug 23. Bid/offer spreads in the Pound Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. Sterling index calculated by the Bank of England. Base average 1990 = 100. Index rebased 1/2/95. Bid, Offer and Mid rates in both this and the Dollar Spot tables derived from THE WM/REUTERS CLOSING SPOT RATES. Some values are rounded by the F.T.

DOLLAR SPOT FORWARD AGAINST THE DOLLAR

Aug 27		Closing mid-point	Change on day	Bid/offer spread	Day's mid high	low	One month Rate	%PA	Three months Rate	%PA	One year Rate	%PA	J.P Morgan index
Europe													
Austria	(Sch)	10.3976	-0.0043	944 - 008	10.4175	10.3695	10.3781	2.3	10.3361	2.4	10.1526	2.4	105.2
Belgium	(BFr)	30.4475	+0.0105	400 - 550	30.4880	30.3460	30.3925	2.2	30.285	2.1	29.7825	2.2	107.0
Denmark	(DKr)	5.7090	-0.0008	080 - 100	5.7137	5.6910	5.7015	1.6	5.6845	1.7	5.6155	1.6	107.4
Finland	(FM)	4.4808	-0.0024	778 - 838	4.4885	4.4672	4.4743	1.7	4.4623	1.7	4.4168	1.4	84.5
France	(FFr)	5.0557	+0.0056	550 - 564	5.0590	5.0365	5.0481	1.8	5.0342	1.7	4.9652	1.8	108.3
Germany	(DM)	1.4777	-0.0008	773 - 780	1.4805	1.4737	1.475	2.2	1.4692	2.3	1.442	2.4	108.7

† SDR rate per $ for Aug 23. Bid/offer spreads in the Dollar Spot table show only the last three decimal places. Forward rates are not directly quoted to the market but are implied by current interest rates. UK, Ireland & ECU are quoted in US currency. J.P. Morgan nominal indices Aug 26: Base average 1990=100.

WORLD INTEREST RATES

MONEY RATES

August 27	Over night	One month	Three mths	Six mths	One year	Lomb. Inter.	Dis. rate	Repo rate
Belgium	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	6.00	2.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	7.00	2.50	-
France	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.35	-	4.75
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.55	-	4.75
Germany	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.00
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.50	2.50	3.30
Ireland	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	-	6.25
week ago	[illegible]	[illegible]	[illegible]	[illegible]	6	-	-	6.25
Italy	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	8.25	8.85
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	8.25	9.03
Netherlands	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	3.00	3.30
week ago	[illegible]	[illegible]	3	[illegible]	[illegible]	-	3.00	3.30
Switzerland	2	[illegible]	[illegible]	[illegible]	[illegible]	-	1.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	1.50	-
US	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	5.00	-
Japan	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
week ago	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	-	0.50	-
■ $ LIBOR FT London								
Interbank Fixing	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	5½	[illegible]	[illegible]	-	-	-
US Dollar CDs	-	5.09	5.16	5.26	5.49	-	-	-
week ago	-	5.09	5.16	5.26	5.49	-	-	-
ECU Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
SDR Linked Ds	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-
week ago	-	[illegible]	[illegible]	[illegible]	[illegible]	-	-	-

$ LIBOR interbank fixing rates are offered rates for $10m quoted to the market by four reference banks at 11am each working day. The banks are: Bankers Trust, Bank of Tokyo, Barclays and National Westminster.
Mid rates are shown for the domestic Money Rates, US$ CDs, ECU & SDR Linked Deposits (Ds).

EURO CURRENCY INTEREST RATES

Aug 27	Short term	7 days notice	One month	Three months	Six months	One year
Belgian Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Danish Krone	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
D-Mark	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Dutch Guilder	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
French Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Portuguese Esc.	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Spanish Peseta	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Sterling	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Swiss Franc	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Can. Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
US Dollar	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Italian Lira	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Yen	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]
Asian $Sing	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Short term rates are call for the US Dollar and Yen, others: two days' notice.

■ THREE MONTH PIBOR FUTURES (MATIF) Paris Interbank offered rate (FFr 5m)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	95.93	95.88	-0.13	95.95	95.82	52,228	44,188
Dec	95.91	95.82	-0.13	95.91	95.77	29,593	51,979
Mar	95.92	95.84	-0.09	95.92	95.78	9,485	34,942

■ THREE MONTH EUROMARK FUTURES (LIFFE)* DM1m points of 100%

CROSS RATES AND DERIVATIVES

EXCHANGE CROSS RATES

Aug 27		BFr	DKr	FFr	DM	I£	L	Fl	NKr	Es	Pta	SKr	SFr	£	C$	$	Y	Ecu
Belgium	(BFr)	100	18.75	16.60	4.853	2.028	4967	5.442	21.07	497.8	410.2	21.68	3.920	2.111	4.490	3.285	353.8	2.580
Denmark	(DKr)	53.34	10	8.856	2.589	1.082	2649	2.903	11.24	265.5	218.8	11.55	2.091	1.126	2.395	1.752	188.7	1.376
France	(FFr)	60.23	11.29	10	2.923	1.222	2992	3.278	12.69	299.8	247.0	13.05	2.361	1.271	2.704	1.978	213.1	1.554
Germany	(DM)	20.60	3.863	3.421	1	0.418	1023	1.121	4.341	102.6	84.52	4.463	0.808	0.435	0.925	0.677	72.90	0.532
Ireland	(I£)	49.29	9.241	8.184	2.392	1	2448	2.683	10.38	245.4	202.2	10.68	1.932	1.041	2.213	1.619	174.4	1.272
Italy	(L)	2.013	0.377	0.334	0.098	0.041	100.	0.110	0.424	10.02	8.258	0.436	0.079	0.042	0.090	0.066	7.123	0.052
Netherlands	(Fl)	18.37	3.445	3.051	0.892	0.373	912.7	1	3.871	91.47	75.37	3.980	0.720	0.388	0.825	0.604	65.01	0.474
Norway	(NKr)	47.47	8.900	7.882	2.304	0.963	2358	2.583	10	236.3	194.7	10.28	1.861	1.002	2.131	1.559	168.0	1.225
Portugal	(Es)	20.09	3.766	3.335	0.975	0.408	997.9	1.093	4.232	100.	82.40	4.351	0.788	0.424	0.902	0.660	71.08	0.518
Spain	(Pta)	24.38	4.571	4.048	1.183	0.495	1211	1.327	5.136	121.4	100.	5.280	0.956	0.515	1.095	0.801	86.26	0.629
Sweden	(SKr)	46.17	8.656	7.666	2.241	0.937	2293	2.513	9.726	229.8	189.4	10	1.810	0.975	2.073	1.517	163.4	1.191
Switzerland	(SFr)	25.51	4.782	4.235	1.238	0.518	1267	1.388	5.374	127.0	104.6	5.525	1	0.539	1.145	0.838	90.25	0.658
UK	(£)	47.37	8.881	7.865	2.299	0.961	2353	2.578	9.979	235.8	194.3	10.26	1.857	1	2.127	1.556	167.5	1.222
Canada	(C$)	22.27	4.175	3.698	1.081	0.452	1106	1.212	4.692	110.9	91.35	4.824	0.873	0.470	1	0.732	78.80	0.575
US	($)	30.44	5.708	5.055	1.478	0.618	1512	1.657	6.413	151.5	124.9	6.594	1.193	0.643	1.367	1	107.7	0.785
Japan	(Y)	28.26	5.299	4.693	1.372	0.573	1404	1.538	5.954	140.7	115.9	6.122	1.108	0.597	1.269	0.928	100.	0.729
Ecu		38.76	7.268	6.436	1.881	0.786	1926	2.110	8.166	193.0	159.0	8.396	1.520	0.818	1.741	1.273	137.2	1

Danish Kroner, French Franc, Norwegian Kroner, and Swedish Kronor per 10; Belgian Franc, Yen, Escudo, Lira and Peseta per 100.

■ D-MARK FUTURES (IMM) DM 125,000 per DM

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.6770	0.6776	+0.0007	0.6794	0.6764	11,286	66,096
Dec	0.6821	0.6814	+0.0005	0.6826	0.6814	503	6,183
Mar	-	0.6855	-	-	-	102	953

■ JAPANESE YEN FUTURES (IMM) Yen 12.5 per Yen 100

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.9312	0.9289	-0.0020	0.9330	0.9289	16,006	71,276
Dec	0.9405	0.9408	-0.0019	0.9415	0.9405	845	6,422
Mar	-	0.9547	-	-	-	2	167

■ SWISS FRANC FUTURES (IMM) SFr 125,000 per SFr

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	0.8392	0.8389	-0.0003	0.8435	0.8380	7,665	37,638
Dec	0.8458	0.8458	-0.0004	0.8488	0.8457	603	3,434
Mar	0.8554	0.8540	+0.0002	0.8560	0.8540	5	620

■ STERLING FUTURES (IMM) £62,500 per £

	Open	Latest	Change	High	Low	Est. vol	Open int.
Sep	1.5568	1.5572	+0.0004	1.5592	1.5568	4,991	50,773
Dec	1.5584	1.5568	+0.0004	1.5588	1.5568	124	1,529
Mar	-	1.5570	+0.0010	1.5584	-	3	9

COMMODITIES AND AGRICULTURE

Hedging seen helping Australia to climb gold output league

By Kenneth Gooding, Mining Correspondent

The role of hedging in promoting strong growth in global gold production is underlined by the latest report by the Washington based Gold Institute.

Its analysis shows that, among the world's big producers, Australia – where most companies hedge – is set for substantial output growth to the end of the decade, while South Africa, where until recently gold groups have been reluctant to hedge, will see further falls in output.

The forecasts collated by the Institute also suggest that:

● China before the end of the decade will overtake Canada to become the world's fifth-largest producer of the precious metal;

● Global gold production, which increased by 12 per cent between 1990 and 1995, from 64,735,000 troy ounces to 72,495,000, is expected to show another 15 per cent rise by 1999 when world output is forecast to be 83.055bn ounces (2,583 tonnes).

Australia, after a relatively modest rise of 13.4 per cent to 8,118,000 ounces in the five years to 1995, is forecast to see a 38 per cent jump to 11,220,000 in 1999. The Institute says: "In addition to technological advancements and improved resource management, Australia's projected increases also are dependent of hedging and other options strategies which have brought producers greater certainty in cash flows and have contributed to the current structure and vigor of the Australian gold mining industry".

Meanwhile, the gap between South Africa, still at the top of the gold production league, and the US, in second place, narrowed in the five years to 1995 and will continue to do so, according to the forecasts. South African production fell by 13.3 per cent to 16,795,000 ounces in the five years and is predicted to drop by a further 13 per cent to 14,551,000 in 1999. The US, in contrast, saw an 18.3 per cent jump in gold output to 10,587,000 ounces in the five years to 1995 and production is forecast to move up by another 21 per cent to 12,743,000 in 1999.

The Institute's latest World Gold Mine Production report, which brings together forecasts of 100 gold mining entities in 70 countries, shows that China's gold output rose by 43.6 per cent between 1990 and 1995, to 4,388,000 ounces. This is predicted to jump by another 36 per cent to 5,966,000 ounces in 1999. Meanwhile, Canada, which suffered a 6.6 per cent fall in output, to 4,790,000 ounces in the five years to 1995, is expected to see a 21 per cent increase to 5,787,000 in 1999.

The only other predicted shift in the rankings among the big producers is for Ghana to overtake Papua New Guinea and move into ninth place.

The only European country to feature in the Institute's list is Spain. However, in spite of a predicted 100 per cent rise in gold output between 1995 and 1999, Spain is still predicted to produce only 368,000 ounces by the later year.

World Gold Mine Production 1995-1999: US$55 from the Gold Institute, 1112 16th Street, NW, Suite 240, Washington, DC 20036, USA.

GOLD OUTPUT PROJECTIONS FOR 1999 ('000 troy ounces)

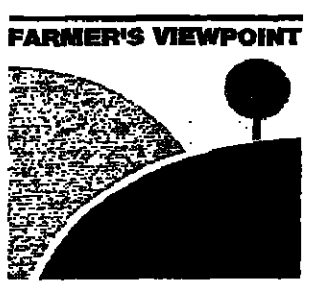
		% change from 1995			% change from 1995
South Africa	14,551	-13	Ghana	1,843	+10
US	12,743	+21	PNG	1,789	+2
Australia	11,220	+38	Peru	1,768	+7
CIS	7,500	+3	Chile	1,575	+10
China	5,966	+36	Philippines	1,126	+23
Canada	5,787	+21	Argentina	988	+3,429
Brazil	2,815	+30	Zimbabwe	881	+5
Indonesia	2,673	+12	Venezuela	880	+60

Source: The Gold Institute – Based on data supplied by gold mining member companies

The downside to high grain yields

Tighter profit margins will put a premium on timing for sellers

FARMER'S VIEWPOINT



By David Richardson

First my good news: the wheat crops on our farm, which, because of the severe summer drought, I all but wrote off in this column a couple of weeks ago, are yielding much better than I expected. Up to last Thursday night, when heavy rains followed over the weekend by showers stopped operations for the bank holiday, we were averaging around 3.5 tonnes an acre, having completed 60 per cent of our acreage. How crops that were starved of moisture for most of the year and looked awful for months can yield this much remains a mystery to me. But our experience is apparently similar to that of most of our East Anglian neighbours.

Now my relatively bad news – at least in comparison to other UK wheat growers in areas where the drought has been much less severe. Many of them are averaging nearer 4.5 tonnes an acre. Add that to the big crops, some already bought in and others being gathered in most European Union countries this year, and it amounts to a sizeable increase in EU production. The grain trade, most of which was wrong in its forecasts of the out-turn of the national crop as I was, is now estimating a UK wheat crop of up to 16m tonnes and a total EU harvest up 9 per cent to more than 190m tonnes. This means an exportable surplus from the community significantly higher than last year and, somewhat predictably, ex-farm prices have fallen.

But world stocks of grain remain tight, in spite of better than expected yields in North America, and this has cushioned the drop in UK values. Moreover, as the EU intervention buying system is gradually phased out and Gatt provisions reduce the level of subsidies the EU is allowed to lay out on reducing the cost of exports to third countries, community prices have more and more been driven by the US. Values on both sides of the Atlantic have been close to one another for some time and are still on a par.

And what a roller-coaster ride the Americans have taken world markets on this year.

Back in January feed wheat – which sets the standard for all other grain on the UK market – was making up to £125 a tonne. By March, as some optimism on world production returned, the price had dropped to £115. But when in April and May drought set in across much of the southern plains of the US the price rocketed to £130 a tonne.

There is always a seasonal drop in prices as the northern hemisphere's harvest gets under way and the new crop comes in and this year is no exception. Feed wheat is currently trading in the UK at between £100 and £105 a tonne ex-farm for immediate movement, which is still higher than the nominal EU support level. Intervention buying does not now begin until November so any grain destined for it has to be stored until then and that costs between £1 and £2 a tonne per month. The EU price delivered to a UK intervention store in November is set at £101 per tonne.

It seems unlikely, in fact, that the system will be much used this year. Futures prices are already well ahead of support levels at over £110 a tonne for November and more than £112 for January. While it is, of course, always possible that the price roller-coaster could go into free fall it would be reasonable to suppose that tight supplies and world demand will prevent that from happening.

In the EU much depends on the mood of the managers of grain exports in Brussels. They have it in their power to maintain a tax on exports, first imposed last autumn to ensure that the community did not run short of feed grains for its livestock. Having given themselves this power to manage supply and by implication price it seems unlikely that they would wish to relinquish it so soon, if ever. EU intervention stocks are at negligible levels and it is well known that the commission has set its face against the idea of ever again holding vast tonnages of surplus commodities of any kind at great expense to European tax-payers.

It seems likely, therefore, that EU grain managers will be relatively aggressive in their export ambitions this year and that any export taxes will be minimal. Furthermore, world prices would assist them to promote sales to third countries without breaking Gatt rules on export subsidies. That, anyway, is how it seems at present. But given the volatility in recent months of the Chicago and other markets, which have moved limit up or limit down with almost every shower or hot day in the mid-west, it is never possible to be certain.

As a grower used to the relative stability of an intervention system that set parameters around which price movements were limited to a few pounds a tonne, I find this a major culture change. Even with my modest wheat yields this year the consequences of deciding to sell on the wrong day or at the wrong time of year are serious. A price variation through the season of perhaps £25 or £30 a tonne could be the difference between a profit and a loss and, as implied above, even skilled traders with the best market intelligence cannot predict such variations with accuracy.

But this is the future; and I and my fellow UK farmers will need to become more sophisticated in our marketing methods in order to minimise the risk. Futures contracts and options are just two of the devices currently on offer. But they are not well understood and very few farmers, as distinct from traders, use them. If 1996 is any guide, that will have to change.

London coffee futures surge boils over

London Commodity Exchange robusta COFFEE futures ended firmer yesterday but saw earlier gains pared heavily as the New York staged a correction from Monday's upsurge.

"There is nothing really supportive in London," said one trader. "Even when New York was going up, London had no [investment] fund buying coming through."

At the close, the benchmark November contract stood $1,700 mark at $1,690 a tonne, $23 higher on the day after reaching a peak of $1,740 at the opening. London's reluctance to go higher was evident from the outset as it defied the technical call to open $140 higher and rose only $73 at the start.

Technical resistance was mainly blamed for capping the gains with a band of heavy supply weighing on the market up to $1,800.

LCE COCOA futures fell sharply with the December contract slipping below £1,000 a tonne on producer selling and long liquidation. Traders said talk that a US forecaster had raised its prediction for the Ivory Coast crop encouraged the bearish tone, while buyers stayed mostly on the sidelines.

The December delivery contract slipped though a series of support points to touch a session low of £996 a tonne before closing at £999, down £19 on the day.

At the London Metal Exchange most base metals prices gyrated in narrow price bands in afternoon, but LEAD dived below the psychologically-important $800-a-tonne level and ALUMINIUM bucked its early trend to close slightly stronger.

Three months lead broke below $800 after edging lower all day and closed at $795, down $12 from Friday. "It might carry on drifting down towards $780," said Mr William Adams, analyst at Rudolf Wolff. The market was generally bullish on lead's medium- to long-term prospects, he added.

Aluminium probed the lower end of its range in the morning but after a flurry of buying in after hours "kerb" trading, the three months three months price ended at its high of $1,482, up $4.

Compiled from Reuters

Canada to produce Wollastonite

By Robert Gibbens in Montreal

Canada will become the sixth wollastonite producer in 1998 when Orleans Resources' C$32m, 50,000-tonnes-a-year mine 240km north of Montreal comes on stream.

The reinforcing agent for ceramics, plastics and paints is already mined in the US, China, India, Mexico and Finland.

COMMODITIES PRICES

BASE METALS

LONDON METAL EXCHANGE

(Prices from Amalgamated Metal Trading)

■ ALUMINIUM, 99.7 PURITY ($ per tonne)

	Cash	3 mths
Close	1442-3	1477-8
Previous	1451-52	1485-85.5
High/low	1440.5/1439	1482/1467
AM Official	1440.5-1.0	1475.5-6.5
Kerb close		1482-3
Open int.	213,618	
Total daily turnover	70,728	

■ ALUMINIUM ALLOY ($ per tonne)

Close	1242-7	1277-80
Previous	1245-55	1280-90
High/low		1280/1275
AM Official	1240-50	1275-80
Kerb close		1277-80
Open int.	4,698	
Total daily turnover	1,102	

■ LEAD ($ per tonne)

Close	798-99	801-2
Previous	811-2	812-3
High/low		805/793
AM Official	801-2	802.5-3.0
Kerb close		795-6
Open int.	33,013	
Total daily turnover	8,900	

■ NICKEL ($ per tonne)

Close	7240-50	7340-45
Previous	7320-30	7415-25
High/low		7440/7350
AM Official	7270-75	7370-71
Kerb close		7340-50
Open int.	38,036	
Total daily turnover	13,181	

■ TIN ($ per tonne)

Close	6115-25	6170-75
Previous	6115-25	6165-75
High/low		6180/6165
AM Official	6130-35	6179-80
Kerb close		6170-75
Open int.	14,761	
Total daily turnover	3,553	

■ ZINC, special high grade ($ per tonne)

Close	998-9	1024-5
Previous	1003-04	1028.5-29
High/low	999/998	1025/1020
AM Official	999-9.5	1024-25
Kerb close		1025.5-26
Open int	66,110	
Total daily turnover	15,674	

■ COPPER, grade A ($ per tonne)

Close	1981-3	1943-4
Previous	1988-89	1946-47
High/low	1981/1980	1945/1939
AM Official	1980-82	1943-4
Kerb close		1944-45
Open int.	201,939	
Total daily turnover	38,222	

■ LME AM Official £/$ rate: 1.5599
LME Closing £/$ rate: 1.5540

Spot: 1.5530 3 mths: 1.5524 6 mths: 1.5501 9 mths: 1.5541

■ HIGH GRADE COPPER (COMEX)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	91.70	+0.30	92.20	91.70	140	956
Sep	91.10	-	92.05	90.90	1,823	10,912
Oct	90.80	-	91.50	90.75	154	1,637
Nov	90.30	+0.30	90.30	90.30	11	1,343
Dec	89.85	+0.25	90.40	89.50	1,122	21,157
Jan	89.35	+0.15	89.50	89.50	5	988
Total					3,328	58,050

PRECIOUS METALS

■ LONDON BULLION MARKET

(Prices supplied by N M Rothschild)

Gold(Troy oz)	$ price	£ equiv	SFr equiv
Close	388.80-389.10		
Opening	389.10-389.40		
Morning fix	389.00	249.439	462.716
Afternoon fix	388.80	249.631	464.149
Day's High	389.15-389.45		
Day's Low	388.70-389.00		
Previous close	387.50-387.80		

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	4.48	6 months	4.08
2 months	4.42	12 months	4.03
3 months	4.39		

Silver Fix	p/troy oz.	US cts equiv.
Spot	336.65	525.50
3 months	341.25	532.15
6 months	345.35	538.85
1 year	354.10	552.90

Gold Coins	$ price	£ equiv.
Krugerrand	388-390	248-250
Maple Leaf	397.85-400.45	-
New Sovereign	86-90	55-57

Precious Metals continued

■ GOLD COMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	389.3	-0.5	389.5	389.4	27	47
Oct	390.9	-0.5	391.5	390.5	957	10,640
Dec	394.0	-0.5	394.7	393.6	17,165	75,472
Feb	397.0	-	396.8	396.3	238	12,560
Apr	398.5	-2.9	399.0	399.0	46	5,991
Jun	399.0	-3.0	401.9	401.8	13	11,884
Total					18,486	160,938

■ PLATINUM NYMEX (50 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	405.1	-0.5	406.4	404.1	809	18,643
Jan	407.3	-0.5	407.5	407.0	91	3,298
Apr	409.6	-0.5	409.5	409.5	260	3,122
Jul	412.4	-0.4	-	-	1	222
Oct	415.9	-0.4	-	-	8	2
Total					1,160	25,287

■ PALLADIUM NYMEX (100 Troy oz.; $/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	126.85	+1.50	127.00	124.25	287	2,955
Dec	127.95	+1.40	127.95	125.40	355	5,898
Mar	128.85	+1.20	128.50	127.25	3	118
Jun	129.90	+1.20	129.00	129.00	1	109
Total					646	9,079

■ SILVER COMEX (5,000 Troy oz.; Cents/troy oz.)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	523.5	-1.5	-	-	2	4
Sep	523.8	-1.5	528.0	521.0	21,066	25,428
Dec	531.7	-1.6	535.5	529.0	10,904	46,329
Mar	539.7	-1.6	542.0	538.0	198	9,445
May	544.9	-1.6	544.0	543.0	59	5,551
Jul	550.0	-1.6	551.0	551.0	9	4,222
Total					32,448	95,171

ENERGY

■ CRUDE OIL NYMEX (1,000 barrels, $/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	21.76	+0.14	21.87	21.45	34,820	84,729
Nov	21.30	+0.13	21.35	21.06	5,795	37,861
Dec	20.81	+0.11	20.85	20.60	4,227	45,477
Jan	20.42	+0.12	20.44	20.22	1,900	30,170
Feb	19.98	+0.02	20.00	19.90	1,684	21,871
Mar	19.75	+0.13	19.75	19.63	1,236	13,566
Total					63,281	358,792

■ CRUDE OIL IPE ($/barrel)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	20.37	-0.04	20.37	20.11	14,083	71,457
Nov	19.94	-0.05	19.94	19.74	3,326	18,374
Dec	19.40	-0.21	19.40	19.36	85	20,912
Jan	19.01	-0.20	19.05	19.00	124	13,985
Feb	18.80	-0.02	18.80	18.82	45	7,118
Mar	18.47	+0.03	18.47	18.27	911	5,694
Total					na	na

■ HEATING OIL NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	61.55	+0.52	61.80	60.90	11,256	18,785
Oct	61.55	+0.54	61.75	60.85	11,090	28,516
Nov	61.60	+0.44	61.60	60.85	1,925	14,326
Dec	61.50	+0.39	61.55	60.90	2,265	26,428
Jan	61.00	+0.34	61.00	60.55	1,139	13,647
Feb	59.45	+0.29	59.45	59.20	359	7,617
Total					29,838	124,320

■ GAS OIL IPE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	189.25	-1.75	189.50	188.00	3,441	22,793
Oct	187.75	-1.50	187.75	186.25	1,777	12,263
Nov	185.50	-1.75	185.50	184.25	382	7,548
Dec	183.25	-2.00	183.50	182.25	451	14,813
Jan	180.50	-2.00	181.00	179.75	199	5,998
Feb	176.25	-2.00	176.75	175.75	170	1,221
Total					13,636	74,041

■ NATURAL GAS NYMEX (10,000 mmBtu.; $/mmBtu.)

	Latest price	Day's change	High	Low	Vol	Open int
Oct	1.905	-0.032	1.950	1.880	14,451	31,573
Nov	2.050	-0.039	2.095	2.035	3,669	14,618
Dec	2.190	-0.027	2.225	2.190	1,770	15,576
Jan	2.230	-0.054	2.260	2.225	2,288	13,206
Feb	2.175	-0.045	2.210	2.175	1,161	7,395
Mar	2.105	-0.032	2.130	2.100	474	5,661
Total					60,948	130,268

■ UNLEADED GASOLINE
NYMEX (42,000 US galls.; c/US galls.)

	Latest price	Day's change	High	Low	Vol	Open int
Sep	61.50	-0.12	61.90	60.90	13,853	17,787
Oct	60.45	+0.01	60.85	59.80	11,359	21,466
Nov	59.30	+0.11	59.50	58.85	1,800	8,949
Dec	58.30	+0.11	58.50	57.85	644	4,685
Jan	57.40	-0.14	57.40	57.25	274	4,262
Feb	57.40	-	57.40	57.40	185	1,559
Total					28,504	61,705

GRAINS AND OIL SEEDS

■ WHEAT LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	108.10	+0.50	108.10	107.25	97	265
Nov	110.10	+0.45	110.10	109.35	174	3,051
Jan	112.15	+0.50	112.10	111.35	60	1,647
Mar	114.00	+0.35	114.00	113.35	44	897
May	116.00	+0.25	116.00	115.25	106	561
Jul	117.50	-	115.75	115.75	-	67
Total					481	6,612

■ WHEAT CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	458.25	-1.00	459.75	455.00	4,508	12,714
Dec	464.00	-1.00	465.75	461.00	12,816	39,256
Mar	463.25	+1.25	464.00	459.00	982	8,956
May	439.00	+3.00	439.00	435.00	32	359
Jul	405.00	-1.25	406.00	403.00	154	3,574
Dec	412.00	-	412.00	412.00	-	85
Total					18,494	65,010

■ MAIZE CBT (5,000 bu min; cents/56lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	369.75	+0.25	371.50	366.50	15,127	38,918
Dec	348.75	+1.00	349.00	345.50	51,326	181,854
Mar	355.25	+0.75	355.50	352.25	5,212	41,381
May	360.50	+0.50	360.75	357.50	1,362	13,945
Jul	359.25	-	360.50	357.00	789	11,156
Sep	320.00	+1.00	320.00	318.00	22	1,152
Total					74,258	296,478

■ BARLEY LCE (£ per tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	99.75	-0.25	99.90	99.75	23	336
Nov	102.85	-0.15	103.15	102.90	48	1,004
Jan	105.10	+0.10	105.10	105.00	44	490
Mar	107.25	-	108.20	108.20	35	157
May	109.15	-	109.75	109.75	10	63
Total					115	2,039

■ SOYABEANS CBT (5,000bu min; cents/60lb bushel)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	824.00	+7.00	824.50	814.00	5,387	11,379
Nov	795.75	+8.25	796.50	786.00	49,154	122,062
Jan	802.00	+7.50	803.00	791.50	2,462	20,268
Mar	806.50	+7.25	807.50	794.50	1,627	12,841
May	806.50	+7.25	807.00	796.50	1,838	10,421
Jul	806.75	+7.25	807.00	797.00	1,276	7,805
Total					58,125	188,683

■ SOYABEAN OIL CBT (60,000lbs; cents/lb)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	25.55	+0.32	25.56	25.20	8,422	11,959
Oct	25.75	+0.29	25.79	25.43	6,153	14,391
Dec	26.17	+0.27	26.20	25.88	10,953	37,039
Jan	26.41	+0.28	26.40	26.23	1,036	6,731
Mar	26.80	+0.30	26.80	26.55	825	5,608
May	27.12	+0.27	27.10	26.95	583	3,851
Total					27,977	81,032

■ SOYABEAN MEAL CBT (100 tons; $/ton)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	262.4	+1.4	262.5	259.6	7,716	19,471
Oct	255.6	+1.7	255.7	252.4	4,083	13,596
Dec	252.2	+2.3	252.4	248.3	12,177	34,860
Jan	250.4	+2.3	250.5	247.1	1,538	6,686
Mar	248.5	+1.8	249.0	245.5	1,335	5,545
May	245.0	+1.7	245.0	242.5	1,000	4,951
Total					27,907	87,241

■ POTATOES LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Nov	72.5	-	-	-	-	-
Mar	75.0	-	-	-	-	-
Apr	83.3	+0.7	83.0	79.0	78	1,118
May	85.0	-	-	-	-	3
Jun	95.0	-	-	-	-	-
Total					78	1,129

■ FREIGHT (BIFFEX) LCE ($10/index point)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	1117	-	1115	1115	5	778
Sep	1151	-18	1151	1145	11	852
Oct	1258	-7	1255	1250	25	1,415
Jan	1275	-7	1275	1265	10	750
Apr	1268	-2	-	-	-	246
Jul	1145	-3	1145	1110	5	24
Total					56	4,075

	Close	Prev
BFI	1119	1119

FUTURES DATA
All futures data supplied by CMS.

Minor Metals

European free market, from Metal Bulletin, $ per lb in warehouse, unless otherwise stated (last week's in brackets, where changed). Antimony: 99.6%, $ per tonne, 2,660-2,800. Bismuth: min. 99.99%, tonne lots 3.30-3.70. Cadmium: min. 99.95%, 95-100 (95-105) cents a pound. Cobalt: MB free market, 99.8%, 22.00-23.00 (21.00-22.15); 99.3%, 21.00-22.00 (20.25-21.15). Mercury: min. 99.99%, $ per 76 lb flask, 160-170. Molybdenum: drummed molybdic oxide, 3.10-3.30 (3.10-3.25). Selenium: min 99.5%, 3.05-4.30. Tungsten ore: standard min. 65%, $ per tonne unit (10kg) WO_3, cif, 45-55. Vanadium: min. 98%, cif, 2.95-3.08 (3.00-3.10). Uranium: Nuexco exchange value, 15.50.

SOFTS

■ COCOA LCE (£/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	974	-22	993	972	917	36,266
Dec	1000	-18	1011	996	3,004	37,119
Mar	1012	-18	1022	1010	1,573	43,438
May	1024	-17	1033	1024	378	21,621
Jul	1036	-17	1045	1036	164	11,368
Sep	1049	-17	1056	1048	44	3,385
Total					6,398	172,680

■ COCOA CSCE (10 tonnes; $/tonnes)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1321	-8	1341	1317	79	300
Dec	1361	-21	1390	1360	3,315	30,952
Mar	1395	-21	1420	1395	870	17,107
May	1411	-20	1433	1409	943	7,476
Jul	1430	-18	1445	1430	5	5,938
Sep	1445	-19	1445	1444	152	5,395
Total					5,217	78,919

■ COCOA (ICCO) (SDR's/tonne)

Aug 26	Price	Prev. day
Daily	Unq	1053.56

■ COFFEE LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	1698	+7	1760	1700	1,946	5,009
Nov	1690	+23	1740	1680	3,905	14,278
Jan	1641	+13	1687	1632	1,033	5,093
Mar	1603	+12	1648	1616	390	2,473
May	1594	+21	1621	1621	35	509
Jul	1578	+20	-	-	-	166
Total					7,309	27,528

■ COFFEE 'C' CSCE (37,500lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	131.10	-5.35	135.50	130.10	417	1,929
Dec	119.20	-6.00	124.75	118.60	8,976	19,509
Mar	113.20	-4.50	117.50	113.00	1,922	4,920
May	112.00	-5.35	116.00	112.00	418	1,759
Jul	112.25	-4.50	115.00	115.00	126	480
Sep	112.25	-4.50	-	-	30	173
Total					11,928	28,932

■ COFFEE (ICO) (US cents/pound)

Aug 26		Prev. day
Comp. daily	109.10	107.06
15 day average	103.23	101.83

■ WHITE SUGAR LCE ($/tonne)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	350.7	-1.8	352.0	349.0	1,728	8,888
Dec	346.0	-	346.2	343.6	242	4,519
Mar	338.4	-2.9	341.5	338.3	495	6,772
May	335.5	-2.0	337.5	335.5	403	2,702
Aug	334.2	-	336.0	334.5	147	1,058
Oct	325.7	+0.5	327.0	325.5	80	1,006
Total					3,098	26,078

■ SUGAR '11' CSCE (112,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	11.74	+0.09	11.75	11.57	16,752	69,784
Mar	11.40	+0.05	11.42	11.28	4,970	47,087
May	11.21	+0.07	11.21	11.10	1,544	18,108
Jul	10.85	+0.08	10.87	10.80	1,020	13,262
Oct	10.69	+0.08	10.72	10.64	338	8,182
Mar	10.50	+0.07	10.50	10.45	16	788
Total					24,824	157,392

■ COTTON NYCE (50,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	75.85	+2.06	75.90	73.55	838	6,772
Dec	76.76	+2.31	76.80	74.40	8,561	28,928
Mar	77.90	+2.17	78.00	75.60	836	7,981
May	78.65	+2.00	78.80	76.45	88	8,078
Jul	79.25	+1.95	79.50	77.30	145	4,514
Oct	77.40	+0.55	77.60	76.70	63	1,024
Total					10,528	58,863

■ ORANGE JUICE NYCE (15,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Sep	120.50	-2.90	123.40	120.10	1,323	4,092
Nov	114.80	-2.90	117.50	114.75	1,839	8,286
Jan	114.25	-2.25	116.30	114.05	174	4,887
Mar	115.35	-2.35	115.00	115.00	5	1,385
May	116.35	-2.05	118.40	118.40	1	365
Jul	117.35	-2.05	118.00	118.00	215	181
Total					3,142	19,621

VOLUME DATA
Open interest and Volume data shown for contracts traded on COMEX, NYMEX, CBT, NYCE, CME, CSCE and IPE Crude Oil are one day in arrears. Volume & Open interest totals are for all traded months.

INDICES

■ REUTERS (Base: 18/9/31=100)

Aug 27	Aug 23	month ago	year ago
1962.9	1953.2	1965.7	2237.7

■ CRB Futures (Base: 1967=100)

Aug 26	Aug 23	month ago	year ago
250.33	249.80	-	-

■ GSCI Spot (Base: 1970=100)

Aug 26	Aug 23	month ago	year ago
197.60	198.49	193.01	179.70

MEAT AND LIVESTOCK

■ LIVE CATTLE CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	71.725	+0.53	71.775	71.200	6,598	42,571
Dec	67.825	+0.525	67.875	67.400	3,290	22,416
Feb	65.475	+0.15	65.625	65.350	1,525	14,628
Apr	66.925	+0.125	67.050	66.750	476	4,896
Jun	64.925	+0.15	65.050	64.775	498	2,636
Aug	65.100	+0.1	65.200	65.000	74	2,888
Total					11,462	96,137

■ LIVE HOGS CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Oct	53.800	-0.85	54.650	53.650	2,882	13,108
Dec	53.750	-0.775	54.350	53.550	1,790	10,548
Feb	75.275	-0.375	75.550	75.100	416	3,415
Apr	73.150	-0.35	73.500	73.000	97	1,476
Jun	77.925	-0.225	78.000	77.800	90	1,436
Jul	75.800	-0.1	75.350	75.250	13	279
Total					5,312	30,486

■ PORK BELLIES CME (40,000lbs; cents/lbs)

	Sett price	Day's change	High	Low	Vol	Open int
Aug	88.525	-2	88.625	88.525	163	136
Feb	84.050	+0.8	84.250	82.800	1,976	4,739
Mar	83.925	+0.425	83.900	82.300	363	880
May	82.950	+0.775	83.350	81.900	55	310
Jul	83.100	+1	81.800	81.500	37	69
Aug	79.700	+0.3	79.400	79.400	11	18
Total					2,596	8,182

LONDON TRADED OPTIONS

Strike price $ tonne — Calls — — Puts —

■ ALUMINIUM (99.7%) LME	Sep	Dec	Sep	Dec
1400	73	122	6	20
1500	15	61	47	58
1600	3	26	132	119
■ COPPER (Grade A) LME	**Sep**	**Dec**	**Sep**	**Dec**
1900	89	105	29	87
2000	38	63	76	143
2100	12	36	150	214
■ COFFEE LCE	**Sep**	**Nov**	**Sep**	**Nov**
1600	137	140	47	99
1650	107	116	67	125
1700	82	100	92	159
■ COCOA LCE	**Sep**	**Dec**	**Sep**	**Dec**
975	61	74	36	37
1000	48	60	48	48
1025	37	49	62	62
■ BRENT CRUDE IPE	**Oct**	**Nov**	**Oct**	**Nov**
2000	-	80	41	-
2050	33	-	-	-
2100	-	-	-	-

LONDON SPOT MARKETS

■ CRUDE OIL FOB (per barrel)

		+or-
Dubai	$18.55-8.60	-0.255
Brent Blend (dated)	$20.40-0.45	-0.51
Brent Blend (Oct)	$20.24-0.26	-0.38
W.T.I.	$21.75-2.75x	-0.36

■ OIL PRODUCTS NWE prompt delivery CIF (tonne)

Premium Gasoline	$215-217	-4
Gas Oil	$190-191	-3
Heavy Fuel Oil	$100-102	+2
Naphtha	$192-193	-2
Jet fuel	$220-222	+2
Diesel	$196-198	+3

■ NATURAL GAS (Pence/therm)

Bacton (Sep)	14.60-14.90	-0.10

Petroleum Argus. Tel. London (0171) 359 8792

■ OTHER

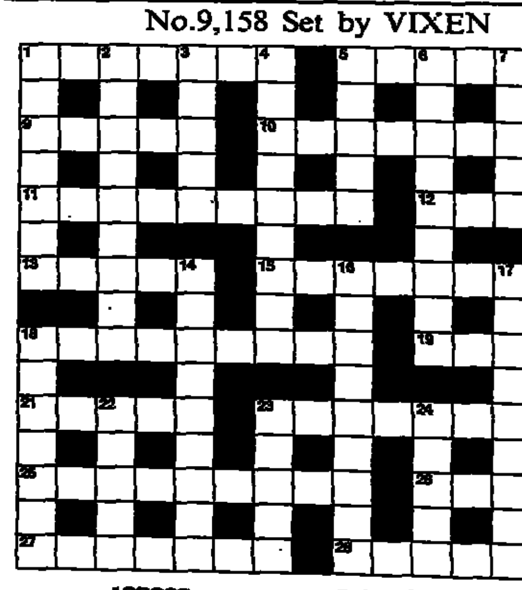
Gold (per troy oz)‡	$388.95	+1.30
Silver (per troy oz)‡	524.50c	+1.50
Platinum (per troy oz.)	$400.50	+1.5
Palladium (per troy oz.)	$124.25	-0.25
Copper	98.0c	
Lead (US prod.)	45.00c	
Tin (Kuala Lumpur)	15.02r	+0.02
Tin (New York)	286.50	
Cattle (live weight)	95.68p	-0.42*
Sheep (live weight)	112.94p	+2.03*
Pigs (live weight)†	106.30p	-6.16*
Lon. day sugar (raw)	$306.00	-4.40
Lon. day sugar (wte)	$371.00	-1.00
Barley (Eng. feed)	Unq	
Maize (US No3 Yellow)	$141.5v	
Wheat (US Dark North)	Unq	
Rubber (Oct)♥	87.25p	+0.50
Rubber (Nov)♥	87.25p	+0.50
Rubber (KL RSS No1)	322.50m	
Coconut Oil (Phil)§	$775.0w	-10.0
Palm Oil (Malay.)§	$555.0	-5.0
Copra (Phil)§	$495.0z	
Soyabeans (US)	224.0	
Cotton Outlook'A' index	74.95	
Wooltops (64s Super)	429p	+0.05

£ per tonne unless otherwise stated. p pence/kg. c cents/lb. r ringgit/kg. m Malaysian cents/kg. v Sep. x Oct. w Jul/Aug. z Aug/Sep ♥ London Physical. § CIF Rotterdam. ‡ Bullion market close. * Change on week. †Based on head of pigs sold.

JOTTER PAD

CROSSWORD

No.9,158 Set by VIXEN



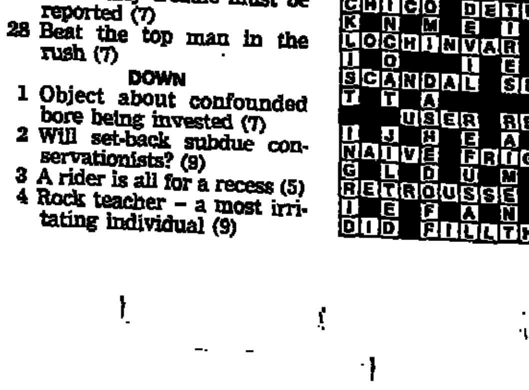
ACROSS

1 Remove to boot a little weight (7)
5 Agitate about the right to gain support (7)
9 Tricks the rebel leader practises (5)
10 The restorer sticks a note on a piece of furniture (9)
11 A woman may well find this uplifting (9)
12 Some of the most popular gear is oversized (5)
13 Angst causes many to peruse their books! (5)
15 Goods vehicle entrance (9)
18 The card possibly inscribed by a novice for the church (9)
19 Having comfortable furniture about one is capital! (5)
21 Blows on the feet (5)
23 Favour ministers setting the scene for the players (9)
25 The traveller's train vandalism without point (9)
26 Bond readily returned a key taken (5)
27 The faulty treadle must be reported (7)
28 Beat the top man in the rush (7)

DOWN

1 Object about confounded bore being invested (7)
2 Will set-back subdue conservationists? (9)
3 A rider is all for a recess (5)
4 Rock teacher – a most irritating individual (9)
5 A girl's taken aside for correction (5)
6 Those wanting the best will have views about a catalogue (9)
7 Revolting fellow getting a step up (5)
8 "X" left outside? That's a bad sign (7)
14 There s a limit to what people can take in (4,5)
16 A local set arranging deals (9)
17 Out of sorts – looking green (3-6)
18 Dismiss the person accepting money (7)
20 A sportsman has to spin the tale! (7)
22 Small child sick and cold (5)
23 Lines with a trade name (5)
24 Hypocrisy shown over love poetry (5)

Solution 9,157



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FT MANAGED FUNDS SERVICE

Offshore Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

BERMUDA (REGULATED)(**)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)(**)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)(**)

ISLE OF MAN (SIB RECOGNISED)

ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

JERSEY (REGULATED)(**)

FT MANAGED FUNDS SERVICE

Offshore Funds and Insurances

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

	Selling Price	Buying Price	+ or -	Yield Gross
Royal Bk of Scotland Fd Mngrs (Jersey) Ltd				
Ivory Growth Fund	£22.84	23.08	—	1.73
Lowes Aggressive Portfolio	£10.46	11.31	-0.0205	—
Lowes Defensive Ptfolio	£12.04	12.82	+0.0700	—
Lowes Collective Ptfolio Ltd	£11.25	11.80	+0.0800	—
TSB Fund Managers (CI) Ltd				
TSB Inland Pension	731.2	769.6	-1.3	—
Inland Equity Acc	130.4	135.1	-0.7	—
WMB Asset Management (Jersey) Ltd				
Worldinvest (Managers) Jersey Ltd				
Worldinvest Inc Fd †	$290.72	280.05	—	3.78
Excalib Global Eqty $ *	$73.53	78.84	+0.77	—
Excalib Stg Global Fixed Inc *	£17.84	11.91	-0.10	4.88

LUXEMBOURG (SIB RECOGNISED)

[illegible]

LUXEMBOURG (REGULATED)(**)

[illegible]

OFFSHORE INSURANCES

[illegible]

OTHER OFFSHORE FUNDS

[illegible]

صكذا من الاصل

FT MANAGED FUNDS SERVICE

Offshore Insurances and Other Funds

● FT Cityline Unit Trust Prices are available over the telephone. Call the FT Cityline Help Desk on (+44 171) 873 4378 for more details.

OTHER OFFSHORE FUNDS

LONDON SHARE SERVICE

ALCOHOLIC BEVERAGES

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Allied Domecq	[illegible]	483½	+3½	[illegible]	419	4,705	6.5	17.2
Bulmer (HP)	[illegible]	[illegible]	-2	[illegible]	480	308.9	2.8	19.6
Burn St Dist	[illegible]	99½	-½	148	96	[illegible]	8.3	21.5
Glenmorangie A		775		775	600	105.4	1.8	19.9
Grand Met	[illegible]	480½	+2	[illegible]	417	10,080	4.0	20.4
Guinness	[illegible]	483½	-2½	[illegible]	435	[illegible]	3.9	15.8
Highland	[illegible]	[illegible]	+2	405	315	478.8	2.8	16.8
5¼pc Cnv Bds		101		107½	101	–	–	–
Kirin Y		711½	-¼	879½	621	7,488	0.8	29.6
Macallan-Glen	[illegible]	168	+2	217	150	187.8	1.1	32.6
Matthew Clark	[illegible]	[illegible]		[illegible]	580	[illegible]	4.4	[illegible]
Merrydown	[illegible]	122½	-½	147	83	13.4	4.6	11.2
Seagram S		221½	-½	[illegible]	[illegible]	5,934	1.3	–

BANKS, MERCHANT

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Barclays Bnc Cm 2nd Prf		60½		59½	50½	[illegible]	10.8	–
Cater Allen	[illegible]	417½	-1½	[illegible]	379	135.1	9.0	12.4
Close Bros	[illegible]	340	+1	[illegible]	305	408.7	[illegible]	15.1
Gerrard & Nat	[illegible]	337½	-2½	472	337	165.0	8.5	10.7
Hambros	[illegible]	[illegible]	+5½	259½	183	457.8	[illegible]	–
7¼pc Cv Pf		114½	[illegible]	117	94½	142.3	[illegible]	–
King & Shaxson	[illegible]	167	+2	177	112½	44.1	8.7	14.5
Leopold J	[illegible]	447½	[illegible]	493	353	23.7	5.4	16.2
Rea Brothers	[illegible]	[illegible]	[illegible]	87	44	24.1	2.5	10.6
Schroders	[illegible]	1370	-5	1475	1185	2,878	1.5	19.1
N/V		[illegible]		[illegible]	[illegible]	477.4	1.8	15.1
Singer & Fried	[illegible]	[illegible]	+1	124½	89½	244.8	4.0	10.3
8¼pc Cv Ln 08/14		£144	+½	£146½	[illegible]	44.1	5.8	–
Union	[illegible]	[illegible]	[illegible]	121	85½	27.1	3.7	11.0

BANKS, RETAIL

[illegible]

BREWERIES, PUBS & REST

[illegible]

BUILDING & CONSTRUCTION

[illegible]

BUILDING MATS. & MERCHANTS

[illegible]

CHEMICALS

[illegible]

CHEMICALS - Cont.

[illegible]

DISTRIBUTORS

[illegible]

DIVERSIFIED INDUSTRIALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONIC & ELECTRICAL EQPT

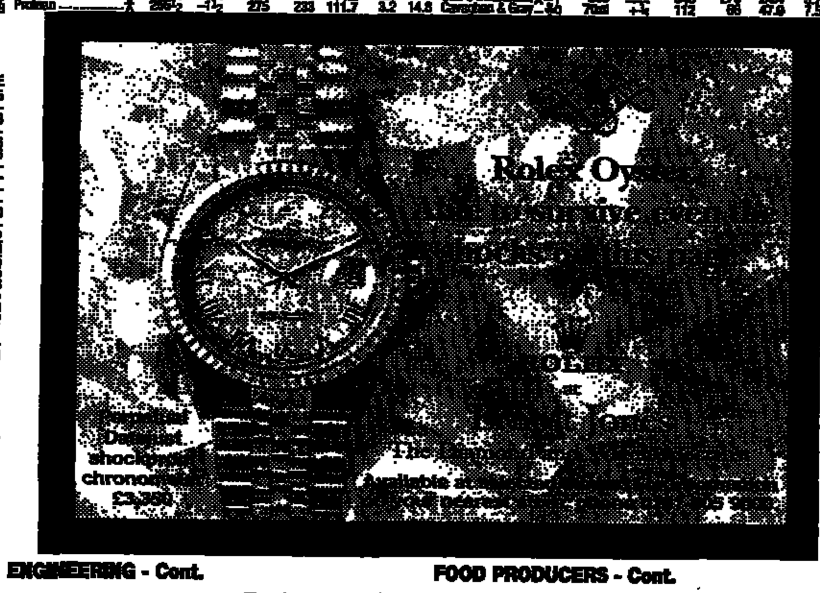
[illegible]

ELECTRONIC & ELECTRICAL EQPT - Cont.

[illegible]

ENGINEERING

[illegible]



ENGINEERING - Cont.

[illegible]

ENGINEERING, VEHICLES

[illegible]

EXTRACTIVE INDUSTRIES

[illegible]

EXTRACTIVE INDUSTRIES - Cont.

[illegible]

FOOD PRODUCERS

[illegible]

FOOD PRODUCERS - Cont.

[illegible]

GAS DISTRIBUTION

[illegible]

HEALTH CARE

[illegible]

HOUSEHOLD GOODS

[illegible]

HOUSEHOLD GOODS - Cont.

[illegible]

INSURANCE

[illegible]

INVESTMENT TRUSTS

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

INV TRUSTS SPLIT CAPITAL

[illegible]

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LONDON SHARE SERVICE

INV TRUSTS SPLIT CAPITAL - Cont.

OTHER INVESTMENT TRUSTS

INVESTMENT COMPANIES

LEISURE & HOTELS

LEISURE & HOTELS - Cont.

LIFE ASSURANCE

MEDIA

OIL EXPLORATION & PRODUCTION

OIL, INTEGRATED

OTHER FINANCIAL

PAPER, PACKAGING & PRINTING

PHARMACEUTICALS

PROPERTY

PROPERTY - Cont.

RETAILERS, FOOD

RETAILERS, GENERAL

SUPPORT SERVICES

TELECOMMUNICATIONS

TEXTILES & APPAREL

TOBACCO

TRANSPORT

WATER

AIM

AIM - Cont.

AMERICANS

CANADIANS

SOUTH AFRICANS

	Notes	Price	+ or -	52 week high	low	Mkt Cap£m	Yld Gr's	P/E
Anglo Am Ind		£22½	—	£24½	£22½	1,503	3.4	♦
Barlow	♣†	653	—	£10½	655	1,155	2.3	–
Gold Flds Prop R		137½	—	170	120	34.0	8.2	10.7
MK Props		88	—	96	75	3.22	11.3	–
SASOL	♥	649	—	710	475	3,777	1.7	–
SA Brews		£16½	—	£20½	£16¼	4,589	2.1	♦
Standard Bank		£22½	+⅛	£23½	£21⅛	2,835	1.8	20.4
Tiger Oats	†	790	—	1270	770	1,108	2.0	16.3
Tongaat-Hulett		790xd	—	1247	736	747.8	2.3	♦

GUIDE TO LONDON SHARE SERVICE

Prices for the London Share Service delivered by FT Extel, a member of the Financial Times Group.

Company classifications are based on those used for the FT-SE Actuaries Share Indices.

Closing mid-prices are shown in pence unless otherwise stated. Highs and lows are based on intra-day mid-prices over a rolling 52 week period.

Where stocks are denominated in currencies other than sterling, this is indicated after the name.

Symbols referring to dividend status appear in the notes column daily as a guide to yields and P/E ratios. Dividends and Dividend covers are published on Monday.

Market capitalisation shown is calculated separately for each line of stock quoted.

Earnings used in calculations are based on IIMR 'Headline Earnings' formula.

Price/earnings ratios are based on latest annual reports and accounts and, where possible, are updated on interim figures.

Yields are based on mid-prices, are gross, adjusted for a dividend tax credit of 20 per cent and allow for value of declared distribution and rights.

Estimated Net Asset Values (NAVs) are shown for Investment Trusts, in pence per share, along with the percentage discounts (Dis) or premiums (Pm -) to the current closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- * Highs and lows marked thus have been adjusted to allow for capital changes
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ♦ Figures or report awaited
- ♥ Rule 2.1(a)(iv) Overseas incorporated companies listed on an approved exchange.
- ♣ Free annual/interim report available, see details below.
- ⁂ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- ‡‡ Rule 4.2(a) Irish incorporated non-listed companies.
- # Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue
- ♦ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend
b Figures based on prospectus or other official estimates.
g Assumed dividend yield after rights issue.
h Assumed dividend yield after scrip issue.
n Rights issue pending
q Earnings based on preliminary figures
s Dividend yield excludes a special payment.
t Indicated dividend yield, p/e ratio based on latest annual earnings.
u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings
z Dividend yield includes a special payment

F Yield based on prospectus or other official estimates for 1996-97.
G Assumed yield after pending scrip and/or rights issue
H Yield based on prospectus or other official estimates for 1995.
K Yield based on prospectus or other official estimates for 1996
L Estimated annualised yield, p/e based on latest annual earnings.
M Yield based on prospectus or other official estimates for 1995-96.
N Dividend is paid in whole or part as a

FD (Foreign Income Dividend)
R Forecast annualised yield, p/e based on prospectus or other official estimates.
W Pro forma figures.
Z Dividend yield to date.

Abbreviations:
xd ex dividend;
xc ex scrip issue;
xr ex rights;
xa ex all;
xf ex capital distribution.

This service is available to companies whose shares are regularly traded in the United Kingdom for a fee of £1350 a year for each security shown, subject to the Editor's discretion

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For readers phoning from outside UK, please dial +44 in place of the first 0.
The share prices printed on these pages are also available on the Internet at http://www.FT.com.

LONDON STOCK EXCHANGE

MARKET REPORT

Equities retreat amid US interest rate fears

By Steve Thompson,
UK Stock Market Editor

Worries about the next move in US interest rates cast a dark shadow over the UK stock market yesterday, with share prices retreating sharply at the start of the day before staging a strong rally towards the close.

UK share prices were hit badly at the outset of trading as traders in London took fright at the poor performance of US Treasury bonds overnight.

There was good support for London and other European markets later in the day, however, when Wall Street opened on a steady note and began to make good progress as the session wore on.

The absence of any heavy-weight selling pressure by the big UK institutions, however, was one of the reasons behind London's late recovery and the FT-SE 100 Index managed to end the session only 1.8 off at 3,905.7.

The Mid 250 closed 3.5 higher at 4,428.3, not far short of the day's best, 4,429.0. With prices of the leading stocks under real pressure shortly after the start of trading, there was no substantial selling of the second liners and the FT-SE Mid 250 was never lower than 3 points off.

There was no real weight of trading in London, however, with turnover at the 6pm reading coming out at 563.2m shares, with non-FT-SE 100 stocks accounting for 56 per cent of the overall total.

Senior marketmakers said yesterday was no more than a continuation of the bank holiday, with many of the top dealers extending the weekend break.

"It is very difficult to get excited about the market today," said one.

Another top dealer said the London market needed to consolidate after its recent strong performance and would want to see US bonds and UK gilts steady before it made any further progress.

Some bulls said 4,000 on the FT-SE 100 was still a possibility, but only if there was a burst of takeover activity in the market place.

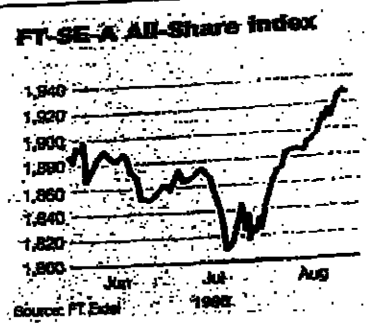
The FT-SE 100 kicked off the session almost 18 points lower and continued to slide during the first hour of trading. Thereafter, sentiment began to pick up and the FT-SE 100 moved briefly into positive territory, just after Wall Street opened for business.

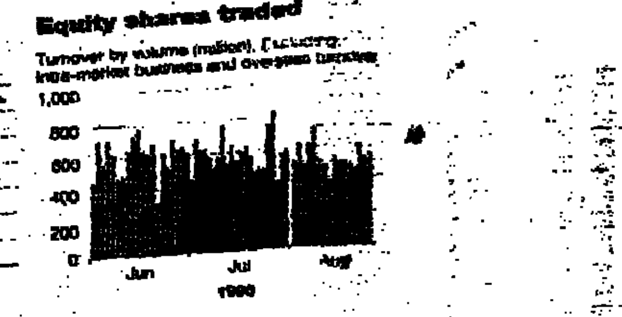
At the day's best the FT-SE 100 was 1.3 higher at 3,908.8. Thereafter it slipped away to end the session marginally lower.

The big winners in the FT-SE 100 included Pearson, the media group, whose shares surged ahead amid talk of a break-up bid for the group, while BAT Industries featured with a near 3 per cent rise after positive news from the US.

BSkyB shares extended their recent excellent performance, hitting yet another all-time record in the wake of the recent good results and the bullish outlook for its satellite television service.

On the downside Standard Chartered were unsettled by a sell note issued by one of the top broking firms.





Indices and ratios

FT-SE 100	3905.7	-1.8
FT-SE Mid 250	4428.3	+3.5
FT-SE-A 350	1954.5	-0.4
FT-SE-A All-Share	1930.18	-0.57
FT-SE-A All-Share yield	3.82	3.82
FT Ordinary index	2835.3	-2.7
FT-SE-A Non Fins p/e	17.47	17.47
FT-SE 100 Fut Sep	3923.5	-3.5
10 yr Gilt yield	7.88	7.81
Long gilt/equity yld ratio	2.15	2.14

Best performing sectors

1 Tobacco ....+2.5
2 Diversified Industrials ....+1.6
3 Engineering: Vehicles ....+0.7
4 Media ....+0.5
5 Electricity ....+0.5

Worst performing sectors

1 Oil: Integrated ....-1.4
2 Mineral Extraction ....-1.1
3 Transport ....-0.9
4 Retailers: Food ....-0.5
5 Textiles & Apparel ....-0.5

US talks blow for Airways

British Airways fell steeply after the late afternoon announcement that the US Transportation Department had decided to cancel the "open skies" talks due to be held this week.

The news sparked clear speculation that the US decision would make it difficult for BA and American Airlines to push through their big marketing merger. In turnover of 4.4m, BA shares fell more than 3 per cent, ending off 11 at 519p.

The two airline's code sharing agreement was expected to be in place by next April, and BA's initial thoughts on the deal were that it would pump up overall profits by around 10 per cent in a full 12 months.

Sentiment was also drained by concern for next week's traffic returns. BA's traffic flows have been dull lately and the betting among analysts is that the August figures will maintainthe flat trend.

Britain's largest life insurer Prudential Corporation was a feature as the market digested news of the sale of its Merchantile & General subsidiary to Swiss Re.

The £1.75bn which the UK insurance group received was well above the market's best expectations of around £1.1bn and the news sent the group's shares rising to the day's peak of 445½p.

However, a combination of general profit-taking and speculation about how Prudential is to spend the proceeds of the sale saw the shares come off the top to close unchanged at 437p, after trade of 3.8m.

Dealers said Prudential was now free to pursue its ambition of acquiring a building society and a life company. The Woolwich building society, which plans to float next year, and Friends Provident, the mutual life assurer, remain the favourite candidates. The Pru is thought to have made informal approaches to both.

Recent speculation has suggested the group would require a hefty rights issue to fund its ambitious takeover plans. However, analysts said concerns about a large rights issue from the group had been eased by the high price achieved for M&G.

Conglomerates shook off a few cobwebs to feature among the top 10 best performing Footsie stocks.

The performance was partly recovery with the sector catching up with the market after a period of prolonged relative weakness. There was one notable story, involving Hanson, which jumped 2½ to 162p in 9.2m traded.

According to a newswire interview with Mr Bill Landuyt, head of Hanson's Millennium chemicals arm, there is not a single entity with the Hanson group that has not attracted some sort of takeover interest.

Thus bid premium, which has been absent this year with the shares lagging the market by more than 20 per cent, was once again a tentative talking point. Some brokers are said to be calling the bottom for the sector.

At all events, BTR added 6 to 253½p in 14m traded – the heaviest Footsie volume of the day – Tomkins gained 3½ to 260½p and Williams put on 3¼ to 352½p. Pearson sparkled as dealers focused on a recent magazine article ing that it had received several potential takeover approaches, although none of these had so far yielded any significant results.

The shares gained nearly 3 per cent, rising 19 to 653p, to make it the day's best performer in the Footsie. Volume was just 1.9m, much of it in the second half of the session.

A recent court ruling helped tobacco and financial services group BAT Industries shake off the recent gloom that has overhang the shares. The stock moved 10½ ahead to 436½p, in heavy trading volume of 14m.

A jury in Indiana on Friday rejected a lawsuit filed by survivors of a lung cancer victim, ruling in favour of four tobacco companies including BAT subsidiary Brown & Williamson, that were blamed for his death.

Building materials minnow, Darby jumped 27½ to close at 109½p after confirming that it had received several potential takeover approaches.

British-Borneo ended 22 firmer at 568p on news that it had struck oil reserves equivalent to its initial expectations in the Morpeth field in the Gulf of Mexico.

Shell and BP ended down 9½ at 940½p and 12½ to 624½p respectively, with analysts attributing the retreat to softening oil prices. But ABN-Amro Hoare Govett reiterated its "buy" recommendation on Shell, citing the potential to improve profits by $1.1bn in the forthcoming restructuring of downstream operations in Europe.

Asda fell 2 to 115½p following the announcement that Mr Archie Norman, its chief executive is to become the non-executive chairman, to be replaced by Mr Allan Leighton, his deputy. Analysts were divided between pessimists who felt that Mr Norman might be winding down his involvement with Asda and the more optimistic who believed he would still play an important role and that his successor was highly respected.

Rolls-Royce continued to improve ahead of tomorrow's interim results statement and Sunday's start to the Farnborough International air show.

Sentiment has been firm recently following positive news on aero engine contracts, and hopes were running high among analysts yesterday that the company would have further good news to unveil at next week's air show.

The shares gained 5 to 230½p in a busy 7.6m traded for a two day advance of 5 per cent. T&N, which also reports interims tomorrow, added a penny to 141p.

There was profit-taking in Bass, which fell 5¼ to 836½p, in the wake of its plan to take control of Carlsberg-Tetley. Allied Domecq, which is selling its stake in Carlsberg-Tetley to Bass, rose 3¼ to 453½p. Analysts said that Allied should be able to get advantageous beer purchasing agreements after the deal is concluded. Whitbread rose 3½ to 724½p after hints from Allied that it might purchase new beer supplies from the brewer.

A resumption of a takeover battle for Lloyds Chemists was expected after the announcement that buyers have been found for its drugs wholesale businesses. The Monopolies and Mergers Commission said such disposals had to be agreed before bids for Lloyds Chemists, which rose 7¼ to 498½p, could resume.

There was profit taking in W H Smith, which fell 15½ to 515½p, ahead of today's interim results where there will be strong interest in the current trading position.

Storehouse rose 5 to 315p with one or two brokers taking a more positive view.

FINANCIAL TIMES EQUITY INDICES

	Aug 27	Aug 23	Aug 22	Aug 21	Aug 20	Yr ago	High	Low
Ordinary Share	2835.3	2838.0	2821.8	2808.4	2819.8	2627.5	2885.2	2668.8
Ord. div. yield	4.02	4.02	4.04	4.06	4.04	4.09	4.23	3.76
P/E ratio net	17.15	17.16	17.06	16.98	17.04	15.67	17.25	15.60
P/E ratio nil	16.99	17.00	16.89	16.82	16.88	15.48	17.03	15.71

Ordinary Share index since compilation: high 2885.2 19/04/96; low 49.4 26/06/40. Base Date: 1/7/35.

Ordinary Share hourly changes

Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.00	High	Low
2825.0	2825.7	2830.8	2838.3	2837.7	2838.5	2837.7	2838.0	2834.3	2840.5	2824.3

	Aug 27	Aug 23	Aug 22	Aug 21	Aug 20	Yr ago
SEAQ bargains	34,938	32,431	28,623	32,456	31,741	24,025
Equity turnover (£m)†	-	1588.3	1480.2	1650.6	1445.4	1042.6
Equity bargains†	-	36,048	33,547	36,850	39,635	36,014
Shares traded (ml)†	-	594.2	551.4	538.4	600.1	558.1

†Excluding intra-market business and overseas turnover.

	Aug 27	Aug 23	Aug 22	Aug 21	Aug 20	Yr ago	*High	*Low
FT-SE AIM	1089.10	1079.60	1072.50	1071.50	1070.50	-	1140.40	965.70

*For 1996.

London market data

Rises and falls*		52 Week highs and lows		LIFFE Equity options	
Total Rises	690	Total Highs	65	Total contracts	16,914
Total Falls	1,221	Total Lows	12	Calls	9,057
Same	754			Puts	7,857

*Aug 27 *Data based on Equity shares listed on the London Share Service.

FUTURES AND OPTIONS

■ FT-SE 100 INDEX FUTURES (LIFFE) £25 per full index point (APT)

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep	3909.0	3923.5	-3.5	3930.0	3904.0	7776	60276
Dec	3929.0	3945.5	-2.5	3950.0	3928.0	420	1607
Mar		3955.5	-3.5			0	330

■ FT-SE MID 250 INDEX FUTURES (LIFFE) £10 per full index point

	Open	Sett price	Change	High	Low	Est. vol	Open int.
Sep		4434.0	+4.0			0	3769

■ FT-SE 100 INDEX OPTION (LIFFE) (*3905) £10 per full index point

[illegible]

■ EURO STYLE FT-SE 100 INDEX OPTION (LIFFE) £10 per full index point

[illegible]

Calls 2,115 Puts 2,802 * Underlying index value. Premiums shown are based on settlement prices. † Long dated expiry months.

LONDON RECENT ISSUES: EQUITIES

[illegible]

† Alternative Investment Market. ‡ Placing price. * Introduction. For a full explanation of all other symbols please refer to The London Share Service notes.

FT GOLD MINES INDEX

	Aug 26	% chg on day	Aug 23	Year ago	Gross div yield %	P/E ratio	52 week High	52 week Low
Gold Mines Index (30)	2058.51	+0.6	2045.08	2037.24	1.52	-	2520.73	1722.98
■ Regional Indices								
Africa (13)	2592.70	+1.2	2562.82	2840.69	3.08	38.60	3553.86	2272.74
Australasia (6)	3441.40	0.0	2442.44	2438.31	2.37	23.86	2827.34	2123.50
North America (11)	1854.46	+0.4	1846.55	1749.33	0.71	68.53	2188.39	1488.94

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FT - SE Actuaries Share Indices — The UK Series

	Aug 27	Day's chge%	Aug 23	Aug 22	Aug 21	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
FT-SE 100	3905.7	.....	3907.5	3891.1	3872.1	3502.6	4.01	2.06	15.12	133.81	1617.67
FT-SE Mid 250	4428.3	+0.1	4424.8	4402.5	4387.4	3907.0	3.41	1.65	22.19	127.08	1792.71
FT-SE Mid 250 ex Inv Trusts	4465.1	+0.1	4460.5	4437.3	4422.3	3921.1	3.50	1.69	21.13	133.51	1811.03
FT-SE-A 350	1954.5	.....	1954.9	1946.3	1937.4	1746.8	3.88	1.99	16.22	64.65	1653.05
FT-SE-A 350 Higher Yield	1865.5	+0.1	1863.8	1859.6	1851.4	1735.1	5.19	1.88	12.77	82.80	1327.08
FT-SE-A 350 Lower Yield	2050.8	-0.1	2053.3	2040.4	2030.7	1762.8	2.69	2.16	21.44	46.98	1429.65
FT-SE SmallCap	2158.95	+0.1	2157.16	2150.68	2148.47	1964.43	3.07	1.86	24.49	45.22	1782.84
FT-SE SmallCap ex Inv Trusts	2150.99	+0.1	2148.40	2141.98	2140.21	1940.57	3.28	1.75	21.83	47.52	1787.67
FT-SE-A ALL-SHARE	1930.18	.....	1930.75	1922.49	1914.19	1727.49	3.82	1.97	16.64	62.07	1657.09

■ **FT-SE Actuaries All-Share**

	Aug 27	Day's chge%	Aug 23	Aug 22	Aug 21	Year ago	Div. yield%	Net cover	P/E ratio	Xd adj. ytd	Total Return
10 MINERAL EXTRACTION(24)	3655.84	-1.1	3694.77	3688.72	3684.17	2955.37	3.72	1.63	20.64	93.81	1581.61
12 Extractive Industries(6)	4326.51	-0.2	4333.61	4285.25	4248.69	4043.84	3.71	2.52	13.38	109.19	1273.16
15 Oil, Integrated(3)	3730.10	-1.4	3781.70	3781.08	3758.06	2944.78	3.91	1.48	21.59	100.96	1656.95
16 Oil Exploration & Prod(15)	2861.09	+0.4	2850.68	2851.97	2828.32	2058.09	1.97	1.52	41.72	34.94	1602.73
20 GEN INDUSTRIALS(275)	2056.29	+0.4	2047.21	2034.86	2025.29	2004.13	4.21	1.61	16.37	57.53	1135.19
21 Building & Construction(34)	1182.16	+0.1	1180.69	1173.34	1170.28	955.85	3.51	1.63	21.82	23.17	893.61
22 Building Matls & Merchs(29)	1953.19	-0.1	1954.70	1932.91	1906.68	1816.36	3.92	1.71	18.67	47.61	993.81
23 Chemicals(25)	2423.71	.....	2423.82	2402.04	2387.11	2471.76	4.17	1.63	18.39	77.42	1164.24
24 Diversified Industrials(19)	1540.77	+1.6	1516.87	1521.81	1514.37	1851.45	6.76	1.64	11.31	62.91	873.56
25 Electronic & Elect Equip(36)	2379.35	-0.1	2381.17	2367.33	2371.80	2090.69	3.28	1.54	24.82	57.55	1251.33
26 Engineering(71)	2508.22	+0.5	2496.92	2477.16	2468.41	2139.84	3.21	2.43	16.03	55.31	1536.00
27 Engineering, Vehicles(14)	3146.59	+0.7	3124.98	3109.04	3100.85	2539.80	3.38	2.01	18.40	88.71	1653.32
28 Paper, Pckg & Printing(26)	2749.45	+0.4	2738.88	2706.68	2711.06	2947.77	3.75	1.97	16.96	64.94	1155.36
29 Textiles & Apparel(19)	1257.06	-0.5	1263.06	1260.54	1264.07	1701.52	5.63	1.56	14.24	43.62	776.88
30 CONSUMER GOODS(81)	3642.54	+0.1	3640.33	3628.70	3636.28	3319.77	3.87	1.95	16.56	115.72	1385.99
32 Alcoholic Beverages(6)	2893.03	+0.2	2888.23	2866.65	2868.72	2814.26	4.36	1.62	17.70	91.68	1057.79
33 Food Producers(24)	2539.49	-0.1	2541.98	2549.75	2543.99	2542.66	4.10	1.91	15.96	70.59	1158.41
34 Household Goods(15)	2583.52	+0.2	2578.43	2578.39	2568.23	2881.91	3.85	2.15	15.11	59.03	992.42
36 Health Care(20)	2019.81	.....	2019.65	2012.70	2008.42	1929.26	2.71	2.18	21.11	36.89	1235.03
37 Pharmaceuticals(13)	5461.20	-0.4	5480.86	5462.80	5436.07	4311.32	3.10	2.06	19.60	151.62	1880.21
38 Tobacco(1)	3697.54	+2.5	3608.60	3574.71	3776.01	4311.68	7.09	2.06	8.58	262.07	952.18
40 SERVICES(253)	2598.13	.....	2598.00	2579.73	2570.21	2197.38	2.84	2.02	21.82	61.44	1364.20
41 Distributors(31)	2855.27	+0.3	2847.90	2824.37	2817.98	2740.89	3.06	1.75	23.39	58.73	1061.36
42 Leisure & Hotels(24)	3244.21	-0.1	3245.85	3216.23	3212.02	2511.60	2.70	1.99	23.25	154.60	1754.15
43 Media(45)	4437.78	+0.5	4414.54	4358.76	4338.43	3327.16	2.04	2.01	30.46	80.96	1620.27
44 Retailers, Food(14)	2038.91	-0.5	2049.51	2040.55	2041.95	2238.83	3.78	2.38	14.07	55.17	1312.62
45 Retailers, General(44)	2163.14	-0.2	2167.63	2155.26	2144.63	1786.31	2.96	2.10	20.18	47.79	1248.35
47 Breweries, Pubs & Rest.(24)	3177.14	-0.1	3179.33	3170.33	3160.74	2632.87	3.23	1.99	19.48	67.05	1539.96
48 Support Services(49)	2473.07	+0.9	2450.92	2476.12	2461.34	1790.41	1.92	2.33	27.88	35.71	1580.65
49 Transport(22)	2403.44	-0.9	2425.93	2414.07	2408.43	2301.61	3.96	1.56	20.20	67.17	1015.13
60 UTILITIES(32)	2372.66	.....	2371.78	2354.23	2329.87	2558.44	5.41	1.89	12.25	157.10	1065.83
62 Electricity(11)	2437.26	+0.5	2425.25	2427.97	2409.65	2658.63	6.66	2.40	7.82	423.39	1316.61
64 Gas Distribution(2)	1384.10	.....	1383.85	1386.68	1369.21	1981.35	8.66	1.36	10.64	66.67	725.97
66 Telecommunications(8)	2020.68	-0.3	2026.59	1997.27	1976.07	2181.17	3.99	1.53	20.46	50.32	938.57
68 Water(11)	2257.96	+0.5	2247.32	2240.95	2213.05	2069.48	6.10	2.32	8.85	94.85	1277.03
69 NON-FINANCIALS(686)	2035.64	.....	2035.87	2025.39	2017.42	1657.18	3.80	1.88	17.47	65.36	1568.23
70 FINANCIALS(104)	3122.40	-0.1	3125.87	3123.96	3104.64	2532.92	4.22	2.41	12.32	111.10	1369.46
71 Banks, Retail(8)	4459.00	-0.3	4470.60	4469.11	4448.64	3461.89	4.07	2.71	11.35	174.00	1490.03
72 Banks, Merchant(6)	3721.58	+0.2	3715.42	3704.59	3695.29	3782.16	2.66	2.90	18.80	83.39	1187.70
73 Insurance(22)	1483.82	-0.1	1485.06	1479.71	1486.41	1322.55	5.65	2.34	9.47	59.33	1133.39
74 Life Assurance(7)	3518.46	+0.1	3513.44	3529.74	3441.39	2742.29	4.23	2.21	13.34	103.40	1476.12
77 Other Financial(20)	2623.82	+0.4	2614.32	2611.59	2606.82	2215.46	4.04	1.71	18.03	77.11	1515.24
79 Property(41)	1626.30	+0.2	1623.15	1620.67	1618.69	1449.04	3.92	1.24	25.68	40.91	1013.26
80 INVESTMENT TRUSTS(127)	3193.38	.....	3194.74	3184.71	3173.54	2960.71	2.23	1.11	50.78	50.33	1122.67
89 FT-SE-A ALL-SHARE(896)	1930.18	.....	1930.75	1922.49	1914.19	1727.49	3.82	1.97	16.64	62.07	1657.09
FT-SE-A Fledgling	1238.92	.....	1238.67	1236.84	1236.22	1084.06	2.75	2.34	19.45	23.24	1304.84
FT-SE-A Fledgling ex Inv Trusts	1251.83	+0.1	1251.11	1249.38	1248.76	1057.35	2.95	2.52	16.84	25.22	1319.43

■ **Hourly movements**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	High/day	Low/day
FT-SE 100	3889.7	3889.6	3897.9	3904.3	3906.8	3906.6	3904.8	3905.8	3906.1	3908.8	3885.9
FT-SE Mid 250	4422.4	4422.1	4423.2	4425.1	4426.3	4427.1	4427.5	4428.9	4428.5	4429.0	4421.8
FT-SE-A 350	1947.6	1947.6	1950.9	1953.6	1954.7	1954.7	1954.1	1954.6	1954.9	1955.7	1946.1

Time of FT-SE 100 Day's high: 2:41 PM Day's low: 8:39 AM. FT-SE 100 1996 High: 3907.5 (23/08/96) Low: 2954.2 (23/01/96).

■ **FT-SE Actuaries 350 Industry baskets**

	Open	9.00	10.00	11.00	12.00	13.00	14.00	15.00	16.10	Close	Previous	Change
Bldg & Cnstrcn	1176.4	1176.4	1176.6	1176.6	1176.5	1176.5	1176.6	1176.4	1175.7	1175.7	1178.0	-2.3
Pharmaceuticls	5356.6	5360.5	5379.9	5391.5	5387.5	5389.8	5386.6	5390.0	5390.8	5396.1	5408.8	-12.7
Water	2237.0	2238.5	2238.5	2240.1	2242.5	2243.4	2243.4	2244.9	2246.5	2249.4	2234.8	+14.6
Banks, Retail	4491.3	4484.4	4489.3	4499.8	4499.5	4499.9	4500.8	4504.1	4513.0	4515.1	4527.7	-12.6

Additional information on the FT-SE Actuaries Share Indices is published in Saturday issues.
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TRADING VOLUME

■ **Major Stocks Yesterday**

[illegible]

Based on trading volume for a selection of major securities dealt through the SEAQ system yesterday until 4.30pm. † Indicates an FT-SE 100 Index constituent. All rounded. Source: FT Extel.

CONTRACTS & TENDERS

Highs & Lows shown on a 52 week basis

WORLD STOCK MARKETS

EUROPE

AUSTRIA (Aug 27 / Sch)

BELGIUM/LUXEMBOURG (Aug 27 / Frs.)

CZECH REP (Aug 27 / Koruna)

DENMARK (Aug 27 / Kr)

FINLAND (Aug 27 / Mkka)

FRANCE (Aug 27 / Frs)

GERMANY (Aug 27 / Dm.)

GREECE (Aug 27 / Drachma)

ITALY (Aug 27 / Lira)

NETHERLANDS (Aug 27 / Fls.)

NORWAY (Aug 27 / Kroner)

POLAND (Aug 27 / Zloty)

PORTUGAL (Aug 27 / Escudo)

SPAIN (Aug 27 / Pta.)

SWEDEN (Aug 27 / Kronor)

SWITZERLAND (Aug 27 / Frs.)

TURKEY (Aug 27 / Tk Lira)

PACIFIC

JAPAN (Aug 27 / Yen)

HONG KONG (Aug 27 / H.K.$)

INDONESIA (Aug 27 / Rupiah)

MALAYSIA (Aug 27 / MYR)

NEW ZEALAND (Aug 27 / NZ $)

SINGAPORE (Aug 27 / S$)

AUSTRALIA (Aug 27 / Aust$)

SOUTH KOREA (Aug 27 / Won)

TAIWAN (Aug 27 / TW $)

THAILAND (Aug 27 / Baht)

MONTREAL (Aug 27 / Can $)
4 pm close

AFRICA

SOUTH AFRICA (Aug 27 / Rand)

NORTH AMERICA

CANADA

TORONTO (Aug 27 / Can $)
4 pm close

Prices supplied by Telekurs

NOTES - Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. * Calendar year high and low. # Dealings suspended. xd Ex dividend. xc Ex scrip issue. xr Ex rights. xa Ex all. † Priced in US $.

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INDICES

	Aug 27	Aug 26	Aug 23	1996 High	1996 Low
Argentina					
General(29/12/77)	(u)	15452.48	15436.46	18881.95 20/5	15287.25 22/8
Australia					
All Ordinaries(1/1/80)	2262.3	2262.1	2292.9	2328.00 26/4	2088.10 17/7
All Mining(1/1/80)	1012.4	1022.2	1026.6	1118.40 8/5	934.90 16/7
Austria					
Credit Aktien(30/12/84)	354.28	351.37	353.58	394.99 31/5	340.65 22/7
Traded Index(2/1/91)	1035.83	1028.56	1033.97	1142.51 28/5	975.27 2/1
Belgium					
BEL20(1/1/91)	1751.55	1759.02	1767.53	1773.28 28/5	1574.99 2/1
Brazil					
Bovespa(29/12/83)	(u)	60281.0	62027.0	66522.00 12/7	43801.00 2/1
Canada					
Metals Minls(1975)	(u)	5336.57	5352.29	5824.80 8/5	4687.47 18/1
Composite(1975)	(u)	5186.70	5193.00	5248.40 31/5	4739.78 15/1
Portfolio(4/1/83)	(u)	2523.92	2533.14	2585.55 27/5	2327.39 12/1
Chile					
IPSA Gen(31/12/80)	(u)	5325.80	5365.89	5804.33 8/1	5215.28 8/4
Denmark					
CopenhagenSE(3/1/83)	423.31	423.25	423.41	423.41 23/8	368.48 2/1
Finland					
HEX General(28/12/90)	2120.12	2131.31	2127.09	2131.31 26/8	1861.87 10/1
France					
SBF 250(31/12/90)	1375.37	1378.44	1376.09	1457.88 6/6	1250.18 2/1
CAC 40(31/12/87)	2017.99	2028.42	2020.82	2146.79 30/4	1897.85 11/1
Germany					
FAZ Aktien(31/12/58)	897.59	896.17	898.00	911.74 5/7	818.68 2/1
Commerzbank(1/12/53)	2609.90	2604.3	2615.10	2627.80 5/7	2370.10 2/1
DAX(30/12/87)	2558.84	2532.98	2555.16	2583.49 5/7	2284.86 2/1
Greece					
Athens SE(31/12/80)	948.25	948.58	940.85	1017.98 4/3	872.99 7/8
Hong Kong					
Hang Seng(31/7/64)	11338.93		(c) 11424.64	11594.99 15/2	10204.87 2/1
India					
BSE Sens.(1978)	3438.80	3433.55	3431.40	4069.28 18/6	2828.08 25/1
Indonesia					
Jakarta Comp.(10/8/82)	549.52	552.74	549.21	630.21 24/4	512.46 2/1
Ireland					
ISEQ Overall(4/1/88)	2529.35	2533.32	2532.25	2595.19 18/6	2234.81 2/1
Italy					
Banca Comm Ital(1972)	602.85	602.82	608.48	674.10 20/5	572.21 27/3
MIB General(2/1/96)	1022.0	1022.0	1031.0	1142.00 20/5	980.00 27/3
Japan					
Nikkei 225(16/5/49)	20910.27	20883.74	21228.80	22666.80 26/6	19734.70 13/3
Nikkei 300(1/10/82)	294.40	294.49	298.16	319.70 26/6	284.48 11/3
Topix(4/1/68)	1583.12	1582.87	1607.30	1722.13 26/6	1524.12 13/3
2nd Section(4/1/68)	2108.93	2114.30	2124.46	2251.49 2/7	1982.78 14/3
Malaysia					
KLSE Comp.(4/4/86)	1113.45	1116.37	1119.48	1189.54 30/4	893.18 2/1
Mexico					
IPC(Nov 1978)	(u)	3357.17	3364.37	3422.37 21/8	2738.36 8/3
Netherland					
CBS TtlRtnGen(End 83)	638.6	636.4	640.4	662.80 12/6	538.59 2/1
CBS All Shr(End 83)	378.2	376.4	379.2	387.10 12/6	326.70 2/1
New Zealand					
Cap. 40(1/7/86)	2219.07	2219.97	2222.59	2222.59 23/8	2025.14 7/6
Norway					
Oslo SE(Ind)(2/1/83)	1372.01	1371.88	1377.78	1488.71 12/6	1259.68 30/1
Philippines					
Manila Comp(2/1/85)	3196.39	3210.30	3226.46	3374.40 5/7	2578.97 2/1
Portugal					
BVL 30(4/1/93)	1972.24	1958.35	1954.17	1972.24 27/8	1602.81 2/1
Singapore					
SES All-S'pore(2/4/75)	539.10	536.34	542.05	610.37 5/2	522.15 30/7
South Africa					
JSE Gold(28/9/78)	1785.7♥	1758.1	1740.2	2088.40 29/5	1348.40 2/1
JSE Ind.(28/9/78)	7799.5♥	7724.3	7733.8	8739.30 25/1	7592.40 21/8
South Korea					
KoreaCompEx**(4/1/80)	761.75	766.89†	781.42	986.84 7/5	761.75 27/8
Spain					
Madrid SE(30/12/85)	357.81	355.31	357.45	375.25 1/7	323.75 11/1
Sweden					
AffarsvardsGen(1/2/37)	2010.3	1993.8	1992.0	2019.08 5/6	1708.80 22/1
Switzerland					
Swiss Bk Ind(31/12/58)	1773.69	1772.21	1778.51	1811.68 11/7	1616.19 17/1
SBC General(1/4/87)	1252.34	1250.11	1253.77	1284.96 11/7	1114.47 26/1
Taiwan					
Weighted Pr **(30/6/66)	6232.53	6200.48	6200.22	6589.41 29/6	4690.22 5/2
Thailand					
Bangkok SET(30/4/75)	1094.59	1095.44	1106.73	1415.04 5/2	1064.04 31/7
Turkey					
Istanbul Cmp.(Jan 1986)	64119.5	64956.5	64982.2	73531.30 8/7	38729.30 2/1
WORLD					
MS Capital Int$(1/1/70)	(u)	772.5*	774.5	783.20 1/7	725.90 15/1
CROSS-BORDER					
Eurotrack 100(26/10/90)	1657.29	(c)	1685.71	1708.78 4/7	1504.40 11/1
Euro Top-100(26/6/90)	1428.97	1426.03	1431.16	1458.28 26/4	1333.01 11/1
HSBC JC Drgn(31/12/88)	(u)	378.74	377.34	383.16 16/4	344.19 2/1
MS Emgs Emrg(7/1/92)	157.24	157.78	158.18	165.91 4/7	142.35 2/1

INDEX FUTURES

	Open	Sett Price	Change	High	Low	Est. vol.	Open int.
CAC-40 (200 x index)							
Aug	2015.5	2020.5	+1.0	2021.0	2012.0	14,393	23,410
Sep	2020.0	2026.0	+1.5	2026.5	2019.0	6,223	23,755
DAX							
Sep	2556.0	2568.5	+8.5	2575.0	2552.5	14,748	-
Dec	2577.0	2586.5	+8.5	2582.0	2570.5	807	-
OMX							
Sep	1556.00	1568.75	+8.75	1571.00	1555.00	2,230	21,474
Oct	1561.25	1574.50	+10.50	1576.00	1561.00	220	1,080
SOFFEX							
Sep	3712.5	3727.0	+7.9	3738.0	3711.5	3,200	25,544
Oct	-	3733.0	-	-	-	17	559

** Sat Aug 24. Taiwan Weighted Price 6190.56; Korea Comp Ex 782.13. Base values of all indices are 100 except: Australia All Ordinary and Mining - 500; Austria Traded, BEL20, HEX Gen., MIB Gen., BVL30, SBF250, CAC40, Euro Top-100, ISEQ Overall, Toronto Comp./Metals & Minerals and DAX - all 1,000; JSE Gold - 255.7; JSE 20 Industrials - 264.3; NYSE All Common - 50 and Standard and Poor's - 10. §§ Montreal. ♦ Toronto. (c) Closed. (u) Unavailable. ‡ IBIS/DAX after-hours index: Aug 27 - 2563.59 +9.17.

US INDICES

Dow Jones	Aug 26	Aug 23	Aug 22	1996 High	1996 Low	Since compilation High	Since compilation Low
Industrials	5693.89	5722.74	5733.47	5778.00 (22/5)	5032.94 (10/1)	5778.00 (22/5/96)	41.22 (8/7/32)
Home Bonds	102.04	102.24	102.32	108.09 (14/2)	100.99 (15/7)	109.77 (18/10/93)	54.99 (1/10/81)
Transport	2057.76	2061.90	2071.89	2296.20 (22/5)	1882.71 (18/1)	2296.20 (22/5/96)	12.32 (8/7/32)
Utilities	217.93	217.16	217.58	234.00 (12/2)	204.86 (30/7)	256.46 (31/8/93)	10.50 (8/4/32)

DJ Ind. Day's high 5742.71 (5761.58) Low 5665.41 (5679.09) (Theoretical♦)
Day's high 5733.10 (5739.02) Low 5675.39 (5700.92) (Actual♦)

Standard and Poors	Aug 26	Aug 23	Aug 22	1996 High	1996 Low	Since compilation High	Since compilation Low
Composite‡	663.88	667.03	670.68	678.51 (24/5)	598.48 (10/1)	678.51 (24/5/96)	4.40 (1/6/32)
Industrials♥	783.70	787.49	791.16	807.88 (5/6)	702.07 (15/1)	807.88 (5/6/96)	3.62 (21/6/32)
Financial	69.57	69.97	70.68	70.68 (22/8)	58.67 (10/1)	70.68 (22/8/96)	8.64 (1/10/74)
NYSE Comp.	355.89	357.23	358.72	363.74 (24/5)	321.41 (10/1)	363.74 (24/5/96)	4.46 (25/4/42)
Amex Mkt Val	580.62	580.94	580.32	614.99 (22/5)	525.80 (16/7)	614.99 (22/5/96)	29.31 (9/12/72)
NASDAQ Comp	1139.22	1143.06	1143.96	1249.14 (5/6)	988.57 (15/1)	1249.14 (5/6/96)	54.87 (31/10/72)

RATIOS

	Aug 23	Aug 16	Aug 9	Year ago
Dow Jones Ind. Div. Yield	2.21	2.18	2.21	2.50
	Aug 21	Aug 14	Aug 7	Year ago
S & P Ind. Div. yield	2.02	2.04	2.03	2.07
S & P Ind. P/E ratio	21.74	22.04	21.16	18.68

NEW YORK ACTIVE STOCKS

Monday	Stocks traded	Close price	Change on day
Philip Morris	5,778,800	90⅝	+2⅝
Autozone	5,428,500	25⅞	-3⅝
H Packard	3,587,800	44⅞	+1⅛
Microtl	3,565,900	22¾	½1⅛
RJ Nabisco	3,072,900	28½	+1⅛
PepsiCo	3,280,200	31⅜	+½
AT&T	2,841,700	53½	-1⅛
Compaq	2,479,500	58⅝	-1
Olympic Fin	2,258,200	23⅞	+6¼
Br Steel	2,252,200	25⅝	+⅛

TRADING ACTIVITY

● Volume (million)	Aug 26	Aug 23	Aug 22
New York SE	281.407	308.010	354.492
Amex	19.296	15.838	17.250
NASDAQ	432.267	448.264	508.288
NYSE			
Issues Traded	3,169	3,175	3,178
Rises	871	1,002	1,482
Falls	1,343	1,276	859
Unchanged	955	897	835
New Highs	61	72	108
New Lows	23	19	25

	Open	Latest	Change	High	Low	Est. vol.	Open int.
S&P 500							
Sep	664.20	665.60	+1.40	666.40	664.20	54,857	189,121
Dec	672.10	671.95	+1.85	672.10	671.85	6,735	19,143
	Open	**Sett price**	**Change**	**High**	**Low**	**Est. vol.**	**Open int.**
Nikkei 225							
Sep	20880.0	20950.0	+40.0	21050.0	20880.0	25,467	219,870
Dec	20900.0	20950.0	+10.0	21080.0	20900.0	13,958	63,329

Open interest figures for previous day.

† Correction. * Calc at 15.00 GMT. ● Excl bonds. ‡ Ind. plus Utilities, Finl and Transp. ♦ The DJ Ind. index theoretical day's highs and lows are the averages of the highest and lowest prices reached during the day by each stock; whereas the actual day's highs and lows (supplied by Telekurs) represent the highest and lowest values that the index has reached during the day. (The figures in brackets are previous day's). ♥ Subject to official recalculation. Please note: The DJ Ind actual high/low figs for Aug 23 should have been 5738.02 & 5700.92.

TOKYO - MOST ACTIVE STOCKS: Tuesday, August 27, 1996

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
TYK Corp	11.0m	1550	+130	Green Cross Cp	3.8m	460	+43
Mitsui Matushima	6.5m	896	+50	Nichiboshin	2.3m	540	
Janome Sewing	5.5m	500	+48	Takara Shuzo	2.1m	1150	+20
NKK Corp	4.4m	293	+2	Mitsubishi Hvy	2.0m	888	-1
Teisan	4.3m	856	+74	Tokyo Gas	1.9m	369	+2

4 pm close August 27

NEW YORK STOCK EXCHANGE PRICES

1996 High	Low	Stock	Div	Yld %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
23¾	17¾	AAR	0.48	2.3	20	51	20¾	20¼	20⅝	+⅜
48⅛	36⅛	AMP	1.00	2.6	18	3247	38⅜	38¼	38⅜	
97½	68	AMR			17	3250	87	86⅛	86⅜	
50½	37⅞	ASA x	2.00	5.0	26	452	40⅛	39⅞	40⅛	+½
47¾	38⅛	AbbotL	0.96	2.1	20	7724	46⅝	46⅛	46⅜	-¼
17¼	12¼	AbitibiPr	0.40	2.9	7	490	14⅛	13⅞	13⅞	-¼
20¼	13½	ABM Ind	0.35	2.0	17	53	17⅜	17⅛	17⅛	-⅛
18⅝	13⅞	Acptncela			35	45	17¼	17	17¼	+¼
50⅛	37¾	ACE Ltd	0.56	1.2	11	875	47	46⅝	46⅝	-⅜
10⅛	9⅛	ACM Gvt In	0.90	9.1	6	132	10	9⅞	9⅞	-⅛
7⅞	6⅝	ACM GvOpp	0.57	8.1		163	7	7	7	+⅛
7¼	6	ACM Gvt Sp	0.66	10.0		417	6¾	6⅝	6⅝	-⅛
9⅛	8¼	ACM Gvt Se	0.90	10.1		226	8⅞	8¾	8⅞	+⅛
9⅝	8⅜	ACM Man	0.90	9.4		997	u9⅝	9⅜	9⅝	+⅛
13⅞	6⅛	Acme Elect	0.32	4.6	116	153	7⅛	7	7	-⅛
17½	13⅞	Acme Mills			9	28	15⅛	15	15⅛	
33¾	27¼	Acordia	0.72	2.4	18	2	30⅝	30⅝	30⅝	+⅛
21⅜	12	Acuson			68	2333	14	13¾	13⅞	-⅛
19½	17⅞	Adams Exp x	0.48	2.5	0	420	19¼	19	19⅛	-⅛
21¼	10¼	AdvMic			8	2767	12¾	12¼	12½	-⅛
11⅛	8½	Advest Grp	0.16	1.6	7	75	10	9⅞	9⅞	+⅛
26⅛	9⅛	Advo Inc	0.10	1.0	500	54	10¼	10	10	
51⅜	41⅛	Aegon	1.46	2.8	15	55	u51⅞	50⅝	51¼	+1⅝
6¾	3½	Aerfix			3	164	5⅜	5	5¼	+⅛
69½	57⅝	Aetna	0.80	1.2	7	2909	67¼	66¾	67⅛	+⅛
38½	28¼	Aflac x	0.40	1.1	14	736	34⅞	34⅝	34⅞	
21⅞	17⅛	AGL Res x	1.06	5.1	17	475	u21⅛	20⅝	20⅞	
28	21¼	Ahmson	0.88	3.4	7	2426	26	25⅝	25⅝	-⅛
60⅞	50⅜	AirPrC	1.10	2.0	14	1181	55⅜	55	55⅛	
28⅜	20¾	Airbrn Frt x	0.30	1.3	15	480	23⅜	23	23⅜	+⅜
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4 pm close August 27

NYSE PRICES

1996 High	Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Chng Prev. Close
Continued from previous page										
32 3/4	22 1/4	SchwMaud	0.60	1.9	14	215	31 5/8	31 1/8	31 3/8	-1/8
20 3/4	12	SelAff	0.06	0.4	173	779	14	13 3/4	13 7/8	-1/8
21	17	Scotmeo	0.10	0.5	11	10	20 3/8	20 1/4	20 3/4	-1/8
47 1/2	38 1/8	Scripps x	0.52	1.2	25	291	45	44 1/2	44 5/8	-1/8
16 1/8	13 1/4	ScuddnNAsF	0.02	0.1		79	13 5/8	13 3/8	13 5/8	-1/8
13 1/8	11	ScuddnNEuF	0.16	1.2		152	u13 1/8	13	13	
20 3/8	18	SeaCnB	0.17	0.9	25	z100	18 7/8	18 7/8	18 7/8	
16	15	SeaCt 4625	1.46	8.5		37	16 3/8	15 3/4	15 3/8	-1/8
67 3/4	36 1/8	Sgate			24	21365	52 1/8	49 1/8	51 1/8	+1/8
38 1/8	30 3/4	Seagram	0.60	1.8	23	1473	33 1/8	33 1/8	33 3/8	-3/8
28	17 1/8	Seagull En	1.20	6.8	11	1370	18	17 3/4	17 3/4	
38	26	Sealed Air	0.64	1.7	25	350	38 1/8	37 3/4	37 7/8	-1/4
53 7/8	38 1/4	SearsR	0.92	2.0	16	8131	46 1/8	45 1/2	45 7/8	
22 3/4	19 1/4	SecCapSM	1.24	5.9	19	475	20 7/8	20 3/4	20 7/8	
13	11 7/8	Seligm Sel x	0.84	6.8		16	12 3/8	12 5/8	12 3/8	+1/8
23 3/4	15 5/8	Sensormat	0.22	1.2	14	1602	18 7/8	18 1/4	18 7/8	
44 7/8	29 1/2	SequaA	0.60	1.4	57	18	u44 5/8	44 1/8	44 1/8	
50 1/4	30	SequaB	0.50	1.0	58	12	u50 1/4	49 3/4	50 1/4	-1/8
60 1/4	38 7/8	SvcCp	0.41	0.7	28	859	57 5/8	57 1/4	57 5/8	
23 3/8	19 1/2	ShMstr	0.68	2.9	15	224	u23 5/8	23 1/2	23 1/2	+1/4
6 1/4	4 1/2	ServMerch			10	1735	4 3/4	4 5/8	4 5/8	+1/8
40 1/4	28 1/2	SGSThm			8	229	39	38 3/4	38 3/4	
15 7/8	10 5/8	Shaw Ind	0.30	2.0	38	1465	15 3/8	15	15	-1/8
13 1/2	10 1/8	Shelby Wil	0.32	2.5	15	121	12 7/8	12 3/4	12 3/4	-3/8
88 7/8	70 5/8	ShellTr	3.26	3.7	18	146	88 3/4	87 1/2	88 1/8	
47 1/8	39	SherW x	0.70	1.6	18	1108	45 1/8	44 3/4	45	+1/4
13 3/8	7 3/8	Shoneys			10	228	9 3/8	9 1/4	9 3/8	+1/4
35 1/2	18 3/4	Showboat	0.10	0.5	48	510	20 1/8	19 7/8	20 1/8	+1/8
28	22 3/4	Sierra Pac	1.18	4.6	11	223	25 3/4	25 5/8	25 3/4	+1/8
6	3 1/2	SignalApp			0	z100	3 3/4	3 3/4	3 3/4	
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AMEX PRICES

4 pm close August 27

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NASDAQ NATIONAL MARKET

4 pm close August 27

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AMERICA

Rising bonds lift stocks at midsession

Wall Street

Rising bond prices helped US shares to post modest gains in quiet midsession trading as both markets recovered some of Monday's losses, *writes Lisa Bransten in New York.*

At 1pm the Dow Jones Industrial Average was up 7.77 at 5,701.66, the Standard & Poor's 500 rose 1.28 at 665.16, and the American Stock Exchange composite was 0.41 stronger at 561.03. NYSE volume was 173m shares.

Technology shares were mostly stronger with the technology-rich Nasdaq composite rising 5.50 at 1,144.72.

The four largest companies on the Nasdaq were mixed with Microsoft rising $1¼ at $124¼ and Oracle gaining $½ at $38⅝ while Intel lost $¾ at $80¼ and Cisco Systems weakened by $¼ at $54⅞.

Both the stock and bond markets fell on Monday amid worries that the Federal Reserve was more likely to raise interest rates than many investors had believed.

Consolidated Freightways rose $2 or 9 per cent to $23¾ after announcing late on Monday that it planned to spin off several of its businesses. An analyst at Morgan Stanley yesterday raised his rating on the company to outperform from neutral.

Career Horizons gave back $¾ of the $5¼ it jumped on Monday after AccuStaff said it would buy the company for nearly $1bn. That took the shares to $36¼. AccuStaff, which lost $5 on Monday, fell another $¾ bringing the shares to $24¾.

Tobacco company shares, which have tumbled since mid-August after an unfavourable court ruling, regained some ground yesterday. Philip Morris added $1 at $91¼ and RJR Nabisco added $¼ at $26⅞.

Canada

Toronto maintained a negative bias at midsession as investors digested third quarter earnings reports from Bank of Montreal and Bank of Nova Scotia, the first of Canada's big six banks to report. The TSE-300 composite index was 9.10 weaker at 5,177.60 in volume of 37.4m shares.

Bank of Montreal lost 10 cents to C$33.60 and Scotiabank fell 30 cents to C$33.80 in the wake of their results. National Bank of Canada, also actively traded, picked up 5 cents to C$11.85.

Rogers Communications added to Monday's 80 cents fall, losing 10 cents to C$9.15, as investors continued to take a dim view of the resignation of the chief financial officer, Mr Graham Savage who was the second senior executive to leave the company this year.

Caracas moves up

A second successive record high was due to be set in CARACAS as the IBC index advanced 67.13 or 1.4 per cent to 4,887.89 by midday.

On Monday the market rose 1 per cent and brokers said that there was still plenty of foreign interest in companies such as Mavesa and Electricidad de Caracas.

MEXICO CITY was making steady progress in midsession dealings: the IPC index was up 38.75 or 1.1 per cent at 3,395.83.

Activity was steady ahead of a treasury bill auction later in the day. The Banco de Mexico was expected to auction 3.3bn pesos worth of Cetes notes.

SAO PAULO was beginning to recover some of the ground that had been lost on Monday. The Bovespa index was up 749 at 61,030 at noon.

A number of analysts said that many investors were holding off as they waited for Telebras to release its interim earnings.

MARKETS IN PERSPECTIVE

	% change in local currency † 1 Week	4 Weeks	1 Year	Start of 1996	% change sterling † Start of 1996	% change in US $ † Start of 1996
Austria	-0.03	+1.22	-1.16	+7.12	+2.97	+3.08
Belgium	+0.61	+4.31	+17.03	+8.48	+4.11	+4.23
Denmark	+0.18	+4.26	+13.07	+14.21	+10.03	+10.14
Finland	+1.53	+8.96	-14.81	+16.48	+11.87	+12.00
France	+1.65	+2.56	+6.20	+10.72	+6.54	+6.66
Germany	+0.13	+3.39	+11.53	+11.61	+7.29	+7.41
Ireland	-0.81	+1.28	+15.88	+11.39	+11.88	+12.11
Italy	+0.75	+1.85	-8.12	+0.11	+4.75	+4.88
Netherlands	+0.38	+6.81	+22.54	+14.86	+10.43	+10.55
Norway	+0.67	+1.46	+8.06	+10.11	+7.98	+8.10
Spain	+0.32	+2.47	+18.61	+11.68	+7.73	+7.86
Sweden	+0.99	+6.74	+13.37	+14.84	+15.28	+15.41
Switzerland	+1.42	+5.30	+27.10	+11.93	+7.02	+7.14
UK	+0.90	+6.24	+11.03	+6.56	+6.56	+6.67
EUROPE	+0.85	+4.88	+11.85	+9.46	+7.38	+7.50
Australia	+2.57	+8.71	+8.40	+2.84	+8.10	+8.22
Hong Kong	+2.44	+6.16	+22.60	+12.83	+12.80	+12.92
Japan	+1.48	+0.56	+13.45	+1.11	-3.96	-3.86
Malaysia	+1.65	+4.57	+6.34	+12.34	+14.27	+14.39
New Zealand	+4.12	-4.04	+1.70	+1.82	+7.94	+8.06
Singapore	+3.84	-3.93	+8.85	-1.57	-1.40	-1.29
Canada	+3.08	+5.09	+12.51	+11.22	+10.62	+10.74
USA	+0.28	+4.96	+18.54	+8.15	+8.03	+8.15
Mexico	+0.36	+13.17	+38.07	+21.67	+25.07	+25.21
South Africa	+0.81	-1.47	+15.37	+5.34	-15.62	-15.43
WORLD INDEX	+0.85	+3.98	+15.46	+6.94	+4.94	+5.06

† Based on August 23rd 1996. © Copyright, FT-SE International Limited, Goldman, Sachs & Co. and Standard & Poor's. 1996. All rights reserved.

FT/S&P ACTUARIES WORLD INDICES

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NATIONAL AND REGIONAL MARKETS Figures in parentheses show number of lines of stock	MONDAY AUGUST 26 1996 US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	FRIDAY AUGUST 23 1996 US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	DOLLAR INDEX 52 week High	52 week Low	Year ago (approx)
Australia (78)	208.65	-0.4	196.78	140.58	158.82	173.80	-0.5	4.36	207.44	197.98	142.39	160.60	174.74	212.18	178.77	181.81
Austria (24)	179.85	0.0	171.56	122.43	138.30	138.22	-0.6	2.08	179.81	171.62	123.37	139.12	139.03	195.04	168.11	181.90
Belgium (27)	218.69	0.3	208.25	148.78	168.07	164.16	-0.3	4.08	217.98	207.93	149.47	168.56	164.68	218.89	187.17	187.86
Brazil (28)	172.54	-2.3	164.30	117.38	132.60	322.41	-3.3	1.98	176.61	168.47	121.11	136.57	333.08	180.70	123.87	152.50
Canada (118)	163.96	-0.3	156.11	111.56	126.01	162.76	-0.2	2.81	164.38	156.80	112.72	127.11	163.05	165.12	134.14	148.31
Denmark (30)	319.41	0.4	304.16	217.31	245.48	249.05	-0.2	1.86	318.05	303.39	218.09	245.94	248.50	319.41	276.89	292.85
Finland (23)	211.08	0.8	201.02	143.62	162.24	196.61	0.0	2.51	209.51	199.85	143.66	162.01	196.57	276.11	171.73	255.65
France (94)	192.58	0.6	183.39	131.02	148.01	152.56	0.1	3.18	191.35	182.53	131.21	147.97	152.39	198.39	167.70	178.68
Germany (58)	176.74	0.5	168.30	120.24	135.83	135.83	-0.1	1.80	175.90	167.71	120.56	135.98	135.98	176.74	155.68	157.59
Hong Kong (58)	437.79	-0.0	416.89	297.95	336.46	434.61	-0.0	3.37	437.90	417.61	300.21	338.54	434.62	451.19	354.06	354.06
Indonesia (27)	192.51	1.2	183.32	130.97	147.96	278.65	1.1	1.79	190.23	181.46	130.45	147.10	273.56			
Ireland (16)	286.75	0.1	273.06	195.09	220.38	246.66	-0.2	3.49	286.44	273.24	196.42	221.50	250.08	290.62	239.42	240.71
Italy (58)	76.54	-1.1	72.89	52.08	58.74	86.24	-1.4	2.60	77.38	73.82	53.00	59.78	87.43	84.53	67.89	79.01
Japan (481)	147.86	-0.8	140.74	100.55	113.58	100.55	-1.8	0.78	148.95	142.09	102.14	115.18	102.14	164.68	137.75	147.26
Malaysia (107)	554.93	0.0	528.43	377.54	426.49	532.70	-0.1	1.70	554.88	529.37	380.56	429.14	532.94	585.09	425.77	523.98
Mexico (19)	1281.54	-0.4	1220.83	872.72	982.55	10504.59	-0.1	1.26	1286.86	1227.07	880.20	1009.84	10507.48	1325.56	791.99	1129.86
Netherland (19)	300.97	-0.3	288.31	204.55	231.08	227.22	-0.8	3.35	301.48	287.59	206.75	233.16	229.40	304.24	245.70	248.78
New Zealand (15)	85.95	-0.2	81.84	58.47	66.05	66.71	-0.2	4.19	86.08	82.11	59.03	66.56	66.87	89.08	75.84	79.56
Norway (35)	249.89	-0.1	237.96	170.01	192.05	217.10	-0.6	2.08	250.02	238.49	171.44	193.33	218.39	266.94	222.24	227.97
Philippines (22)	207.01	-0.7	197.13	140.84	159.10	270.24	-0.7	0.81	208.50	198.88	142.97	161.23	272.84			
Singapore (44)	399.46	-0.6	380.39	271.77	307.01	259.28	-0.8	1.47	401.97	383.44	275.64	310.84	261.28	465.81	380.49	385.61
South Africa (44)	326.30	0.1	310.72	222.00	250.78	323.11	-0.1	2.33	325.88	310.86	223.46	252.00	323.41	437.78	314.00	349.44
Spain (37)	177.87	-0.1	169.48	121.08	136.78	169.43	-0.7	3.47	178.17	169.95	122.17	137.77	169.58	183.85	145.15	153.29
Sweden (48)	361.42	0.3	344.17	245.90	277.77	352.27	0.1	2.42	360.17	343.56	246.97	278.51	351.95	361.42	281.98	286.35
Switzerland (37)	254.05	0.5	241.93	172.84	195.25	187.81	-0.3	1.68	252.84	241.18	173.88	195.51	188.45	264.05	195.92	198.69
Thailand (45)	144.24	-0.8	137.35	98.13	110.85	141.55	-1.0	2.39	145.56	138.85	99.82	112.56	142.98	192.95	138.75	188.64
United Kingdom (200)	246.35	0.2	234.59	167.60	189.33	234.59	-0.0	4.07	245.82	234.59	168.63	190.17	234.59	246.35	218.56	220.47
USA (625)	270.49	-0.6	257.58	184.03	207.88	270.49	-0.5	2.18	271.73	259.19	186.32	210.13	271.73	278.47	238.16	238.85
Americas (790)	247.46	-0.5	235.64	168.35	190.18	208.08	-0.5	2.17	248.60	237.14	170.47	192.24	209.03	252.48	209.51	209.87
Europe (709)	218.42	0.2	208.09	147.24	168.33	185.59	-0.2	3.07	218.98	208.98	148.07	166.88	185.88	218.42	189.62	180.81
Nordic (136)	313.30	0.4	298.34	213.15	240.78	287.09	0.0	2.31	312.14	297.74	214.04	241.37	287.20	313.30	261.13	273.74
Pacific Basin (878)	161.71	-0.7	153.99	110.09	124.28	112.35	-1.3	1.24	162.78	155.28	111.63	125.87	113.81	177.01	148.86	157.41
Euro-Pacific (1587)	184.38	-0.2	175.58	125.44	141.70	139.99	-0.8	2.13	184.80	176.28	126.72	142.90	141.07	190.57	168.61	171.37
North America (743)	264.00	-0.4	251.40	179.61	202.89	263.38	-0.4	2.18	265.17	252.95	181.85	205.05	264.57	269.52	228.24	223.87
Europe Ex. UK (506)	195.34	0.3	186.01	132.90	150.13	157.97	-0.3	2.53	194.84	185.86	133.61	150.67	158.39	195.34	169.86	170.69
Pacific Ex. Japan (397)	288.28	-0.2	274.52	196.13	221.56	248.54	-0.3	3.04	288.85	275.51	198.08	223.36	249.15	298.88	243.86	254.67
World Ex. US (1793)	185.57	-0.2	176.71	126.25	142.62	144.59	-0.7	2.13	186.02	177.44	127.56	143.85	145.65	191.55	167.30	172.50
World Ex. UK (2218)	208.63	-0.4	198.66	141.87	160.27	173.54	-0.7	1.98	209.33	199.68	143.54	161.87	175.75	213.06	186.81	186.88
World Ex. Japan (1937)	246.60	-0.2	234.83	167.77	189.52	232.04	-0.3	2.54	247.11	235.79	169.45	191.09	232.86	247.56	213.19	213.57
The World Index (2418)	211.90	-0.3	201.69	144.10	162.78	180.79	-0.6	2.15	212.50	202.71	145.72	164.33	181.92	214.98	188.71	189.58

Latest prices were unavailable for this edition. Manila closed 26/08/96 Hong Kong and UK.

EUROPE

Swiss Re plaudits counter Roche anticlimax

An upbeat assessment of Swiss Re's purchase of M & G countered disappointment in ZURICH at first half profit figures from Roche. The SMI index finished 7.8 ahead at 3,722.8, pulled back from a high of 3,731.7 by news that US consumer confidence was at its highest level since early 1990.

Swiss Re jumped SFr31 or 2.4 per cent to SFr1,301 on the view that the company's SFr3.2bn purchase from Britain's Prudential would boost group earnings and enhance shareholder value.

However Roche certificates finished SFr80 weaker at SFr9,400, up from a low of SFr9,300, as its 16 per cent rise in interim profits came in at the lower end of expectations and a 7.6 per cent rise in operating profits failed to match forecasts. One analyst noted that the market tended to be easily disappointed by Roche because expectations were always very high.

Ares-Serono, SFr45 higher at SFr1,940, profited from US approval for the company's Serostim drug for the treatment of Aids-wasting weight loss.

Ciba rose SFr7 to SFr1,565, Sandoz picked up SFr3 to SFr1,468 and Alusuisse added SFr16 to SFr968 ahead of half-year figures due today.

FRANKFURT saw German stock market turnover more than double from DM3bn to DM6.8bn as the Dax index rose 9.17 to an Ibis-indicated 2,563.59. Chemicals had a good day, engineering was good to mixed and the big retailers were clearly depressed.

In chemicals the business magazine, Capital, said that Hoechst could lift its operating profits by DM1bn to DM4.6bn this year, backing up above-consensus forecasts from Mr Peter Houghton of JP Morgan and lifting the shares by DM1.02 to DM52.57; BASF and Bayer responded, up 65 pfg to DM44.89, and 56 pfg to DM54.16 respectively.

MAN boosted the engineers with a 21 per cent increase in 1995-96 net profits, climbing DM15.80 to DM368.10 although, said Mr Niall O'Connor at CS First Boston, its underlying order positions in trucks and printing machinery were no real cause for rejoicing. Meanwhile Linde, the fork-lift leader, saw an 8 per cent rise in first half profits and fell DM8.25 to DM928.75.

Karstadt, Germany's biggest department stores group, reported a fractional decline in first half sales and fell DM6 to DM538; the new retailing supergroup, Metro, dropped DM2.90 to DM136.85 in sympathy.

PARIS started to dwell on prospects for the economy this autumn and speculate about the forthcoming budget. As a result investor interest remained limited with many investors adopting a cautious, "wait-and-see" attitude.

The CAC 40 index slipped 2.48 to 2,017.99 in turnover of FFr3.5bn.

Carrefour, the supermarkets group, gained after being upgraded by a domestic broker. The shares rose FFr56 to FFr2,616.

Roussel Uclaf rose another FFr15 to FFr1,180, after Monday's 6 per cent rise, following a report at the weekend that Hoechst of Germany, the parent group, could offer FFr1,400 a share to buy out minorities.

Bollore Technologies slipped FFr18 to FFr581 after announcing plans to buy out the minorities in its Scac Delmas-Vieljeux division, offering either FFr1,100 a share or a bond convertible into two Bollore shares.

Scor, the reinsurance group, rose FFr4.20 or 2 per cent to FFr209 on expectations of a shake-up in the sector on the news that Prudential of the UK had sold its reinsurance business to Swiss Re.

Essilor gained FFr33 to FFr1,328 after Oakley of the US announced that it had agreed to an option to buy the non-prescription lens production unit of Gentex Optics, the French company's US arm.

MADRID was boosted by bond market gains, and foreign equity buying after news that the Spanish government was considering a cut in spending in real terms in 1997, and that support for the budget seemed likely. The general index rose 2.50 to 357.81, volume recovering with around 29bn shares changing hands.

Repsol, the country's biggest oil company, added Pta60 at Pta4,100, recovering part of a long run of losses ahead of its first half results. Cepsa, the second largest and Spain's largest private oil refiner, shed Pta110 to Pta3,850 after announcing a 30 per cent fall in first half profits.

Telefonica continued to climb, helped by strong growth expectations at foreign brokers. The stock closed up Pta25 at Pta2,390 with about 4.5m shares traded.

AMSTERDAM could not shake off its fascination with Nutricia, which rose for the third consecutive session. The food group rallied another Fl 9.60 or 4.5 per cent to Fl 223.70 as a number of investors caught up with the story. Brokers suggested that UK institutions may have been behind the buying spree since London had had a public holiday on Monday. On Friday Nutricia announced a much better than expected increase in its interim earnings.

The AEX index gained 4.22 at 580.41.

MILAN overcame worries over the 1997 budget, concentrating instead on comments from the foreign minister, Mr Lamberto Dini, who said that talks with European partners on a return of the lira to the European exchange rate mechanism were going well. The Comit index was 0.18 higher at 602.95 while the real-time Mibtel index picked up 49 to 9,649.

Mediaset added L119 to L7,127 after the government signalled that a decree law would be passed extending television franchises. The prospect of a legal vacuum, after a deadline for new broadcasting legislation ran out last night, had prompted fears that one of Mediaset's channels could be taken off the air.

STOCKHOLM's forestries rose 2.4 per cent, SCA putting on SKr3.50 at SKr147.50 and AssiDoman SKr8.50 at SKr167 after virtually halved first half profits.

The Affarsvarlden General index rose 16.5 to 2,010.8. Handelsbanken fell SKr3 to SKr140 after a 17 per cent rise in profits; and the mortgage institution, Stadshypotek, rose SKr4 to SKr168.50 after Handelsbanken said that it did not rule out a bid.

HELSINKI decided that the fun was over in Amer, and the sporting goods maker fell FM4.50 to FM109.50, after FM105, as it reiterated its loss forecast for 1996. The Hex index eased 2.19 to 2,129.12.

Written and edited by William Cochrane, Michael Morgan and John Pitt

FT-SE Actuaries Share Indices

Aug 27 THE EUROPEAN SERIES Hourly changes	Open	10.30	11.00	12.00	13.00	14.00	15.00	Close
FT-SE Eurotrack 100	1657.85	1657.70	1657.82	1657.98	1658.59	1658.83	1658.54	1657.99
FT-SE Eurotrack 200	1739.49	1737.41	1738.24	1737.98	1738.15	1738.87	1738.89	1738.62

	Aug 23	Aug 22	Aug 21	Aug 20	Aug 19
FT-SE Eurotrack 100	1665.71	1663.11	1662.99	1658.28	1650.74
FT-SE Eurotrack 200	1734.95	1729.63	1719.40	1728.76	1718.95

Base value 1000 (26/10/90) [illegible]

ASIA PACIFIC

New 1996 low for Tokyo stock exchange volume

Tokyo

Volume on the Tokyo stock exchange fell to another 1996 low as the Nikkei average closed marginally higher on technical activity, *writes Emiko Terazono in Tokyo.*

The 225 index rose 26.58 to 20,910.27 after moving between 20,827.97 and 21,032.41. Volume fell to 203m shares against 211m; most investors refrained from trading ahead of the release of the Bank of Japan's *tankan*, or quarterly survey of business confidence today.

The Topix index of all first section stocks rose 0.25 to 1,563.12 and the Nikkei 300 closed unchanged at 294.49. Declines led advances by 497 to 463 with 235 unchanged.

In London, the ISE/Nikkei 50 index rose 12.99 to 1427.82.

Overseas investors and domestic institutions placed small lot buying orders for large capital steels. NKK rose Y2 to Y283 and Kobe Steel gained Y3 to Y295.

Revisions in earnings affected some stocks. Semiconductor manufacturing equipment makers were lower on fears of worsening earnings. Tokyo Electron, which revised down its earnings for the current business year to March, fell Y90 to Y3,030 and Nikon lost Y30 to Y1,190.

Japan Telecom, a long distance telecom operator, fell Y50,000 to Y2.6m after a report estimated that its interim earnings would fall by 21 per cent, due to a cut in telephone fees.

Green Cross, which fell sharply last week following the raid by prosecutors who have started criminal investigations of the company's handling of its untreated blood products, rebounded Y43 to Y460. The stock remained 14.2 per cent lower than the levels at the start of last week.

In Osaka, the OSE average fell 1.84 to 21,894.51 in volume of 88.2m shares. Nintendo, the video game maker which plunged recently on earning concerns, rebounded Y110 to Y6,710.

Roundup

Lower than expected GDP growth figures compounded the impact of Monday's jail sentences imposed on several top business leaders in South Korea. SEOUL registered a new 33 month low, the composite index falling 5.14 to 761.75.

Companies whose chairmen were sentenced to prison for bribing the former president, Roh Tae-woo, remained weak. Daewoo lost Won70 to Won7,200, Dong-Ah Construction Won500 to Won24,800, Hanbo Steel Won110 to Won6,990 and Jinro Won800 to Won17,700.

HONG KONG was weak on renewed fears about rising interest rates, the Hang Seng index closed 85.71 lower at 11,388.98 as turnover dropped to HK$3.5bn.

In properties, Cheung Kong fell 50 cents to HK$56.25 and Henderson Land 25 cents to HK$61.00.

Hutchison Whampoa dropped HK$20 to HK$47.00, still smarting from the release of lower than expected interim results last week. Traders said news that Hutchison's Subic Bay project was under review by the Philippine government also hurt the shares.

Shanghai Petrochemical dropped 17.5 cents to HK$2.075 after it announced plans to place shares in the US and Canada.

SINGAPORE trade was dominated by two rumoured takeover targets: Metro, the retailer, rose 20 cents to S$5.55 although it said on Friday that it had no idea why its shares had started rising. Transmarco, the trading and telecommunication company, rose 40 cents to S$10.80 after a high of S$11.50, on news that the Indonesian tycoon, Putera Sampoerna, had upped his bid for the company to S$9.45 per share after buying a 20 per cent stake from a major shareholder, Sukamto Sia.

The Straits Times Industrials index ended 11.42 up at 2,171.45.

KUALA LUMPUR's second board stocks surged 3.1 per cent to a new closing high, the index rising 16.18 to 537.12 as blue chips continued to flounder. The KLSE composite index eased 2.92 to 1,113.45 in spite of a M$574m trade surplus in June.

TAIPEI continued to rise ahead of its inclusion on September 2 in Morgan Stanley's global stock indices. The weighted index rose 82.05 to 6,282.58. Turnover was T$27bn.

Reports from domestic newspapers suggested that foreign institutions had made inward investments of more than US$200m over the past 10 days. Electronics led the gains on hopes for solid August sales, with Acoten up T$3 to T$56.5.

SYDNEY saw a some activity in the banking sector as the All Ordinaries index lost 19.8 to 2,262.2. Turnover was A$629.8m.

Commonwealth Bank of Australia, ex a dividend of 52 cents, closed 6 cents lower at A$10.86. Metway Bank, a regional bank, eased 1 cent to A$4.65 after reporting a 17 per cent slide in after-tax profit for the fiscal year ended June 30, 1996.

Stals encourages S Africa

Johannesburg was encouraged by largely neutral comments from Mr Chris Stals, the reserve bank governor, at the bank's annual meeting and the overall index overcame early nerves to close 58.7 higher at 6,816.1. Industrials rose 75.2 to 7,799.5 and golds lifted 26.6 to 1,785.7.

Iscor, the steel producer, slid R4 to R871 on poor results and a warning that profits for the first half of the current financial year would be well down on last year's performance.